

**Annual Comprehensive  
Financial Report  
Fiscal Year Ended  
June 30, 2021  
Morganton, NC**



**City of Morganton  
North Carolina**

**Annual Comprehensive  
Financial Report**

***Fiscal Year Ended June 30, 2021***

**City Council**

**Ronnie M. Thompson, Mayor  
Wendy Cato  
Christopher Hawkins  
Chris Jernigan  
Butch McSwain**

**City Manager**

**Sally W. Sandy, CPA**

**Finance Director**

**Jessie S. Parris, CPA**

**Prepared by the City of Morganton's Finance Department**



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CITY OF MORGANTON  
NORTH CAROLINA

October 31, 2021

To the Honorable Mayor, Members of the City Council, and Citizens:

The Comprehensive Annual Financial Report of the City of Morganton, North Carolina is submitted for your review and use. This report is the comprehensive publication of the City's financial position and results of operations as of and for the fiscal year ended June 30, 2021. The City, like all other local governments in the State, is required by state law to publish a complete set of financial statements within four months of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accounts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2021, and to provide further accountability to citizens and other interested parties by providing a more comprehensive report in lieu of the minimum basic financial statement requirements.

As a comprehensive annual financial report this document provides financial detail and historical trends beyond the basic financial statements in the *Financial Section*. The *Supplementary Information* provides details on capital project activity, the economic development fund, the CDBG entitlement fund, the special revenue-building re-use fund, internal service fund, the four utility funds, and the OPEB Trust fund. The *Statistical Section* provides trend information on financial performance, revenue capacity, debt capacity, demographic and economic indicators as well as operating information. A *Compliance Section* includes documentation on federal and state grants and awards compliance.

City management is responsible for both the accuracy of the data and the completeness and fairness of the report. To ensure reliability of the information, City management has established a comprehensive framework of internal control. Internal controls protect the City's assets from loss, theft and misuse and help ensure that information is reliable for the preparation of this report. Because the cost of internal controls should not outweigh their benefits, the City's controls have been designed to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate and reliable in all material respects.

As noted earlier, the City is required by state law to have an annual independent financial audit. A compliance on federal and state financial assistance is also required under the Federal Single Audit Act of 1984 and the State Single Audit Implementation Act. Elliott Davis, CPA's, a licensed certified public accountant practice conducted the audits and concluded in an unqualified opinion that the financial statements present fairly in conformity with GAAP, in all material respects, the financial position and changes in financial position for the City of Morganton, North Carolina as of June 30, 2021. The independent auditor's report is located at the beginning of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a prescribed narrative introduction, overview, and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the City**

The City of Morganton, incorporated in 1885, is nestled in the foothills of the Blue Ridge Mountains in the western part of North Carolina. It currently serves a population of 16,800 and encompasses 19.145 square miles. Around the region it is known as a great place to live, work and play.

The City of Morganton is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Morganton has operated under the council-manager form of government since 1913, having been the first in the state to adopt this form of government. Policy-making and legislative authority are vested in the City Council consisting of the mayor and four other members, all elected on a non-partisan basis. The City Council appoints the city manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with two members elected every two years. The mayor is elected for a four-year term. The mayor and council members are elected at large; each of the council members represents one of the four-districts within the City limits.

The City of Morganton provides a full range of governmental services, including public safety protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. The City of Morganton also provides public utilities including water, wastewater, electric and cable/internet/telephone enterprises. The City of Morganton is financially accountable for the ABC Board which is reported separately within the City of Morganton's financial statements. Additional information on the legally separate entity can be found in the notes to the financial statements.

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Morganton's financial planning and control. The budget is prepared by fund, function and department and adopted by function. Department directors may transfer resources within a functional area as they see fit. Transfers between functional areas need special approval from the City council.

## **Local economy**

The City serves as the retail trade and employment center for a majority of the 90,892 people of the County. Additionally, many people from sections of the surrounding counties of Avery, McDowell, Rutherford and Cleveland work or shop in the City.

The principal manufacturing activities in the City include furniture and metal working with many other types of establishments providing a diversified manufacturing base. Agriculture is a large industry in the County with approximately 90,000 acres in farmland, but very little farming is done in the City. Government at local and State levels is a large employer in the City. City, County and several State-affiliated offices and facilities are located within the corporate limits.

## **Financial Policy**

The City Council has set a minimum 15% fund balance policy to provide continued financial stability to the government. An adequate unreserved fund balance ensures consistent cash flow, generates interest income, eliminates the need for short term borrowings and provides flexibility for unanticipated opportunities and needs during emergencies.

## **Long-term financial planning and initiatives**

The City of Morganton has to be in a continued state of planning to keep up with the ever-changing environment of local government. This is the ongoing charge to the elected officials as well as City staff.

Fiscally responsible budgeting has been key in the City's planning process. Currently the City does not have any bonded debt. In 2014, the City's bond rating was reviewed by Standard and Poor's and increased two steps to an AA bond rating which is another sign of fiscal stability.

Each year the City adopts a capital improvement budget and prepares a six-year capital improvement plan. The City accomplished many projects this fiscal year including beginning the implementation of two master plans, one in Downtown and the other in recreation.

Overall, the City is meeting the demands of the present while constantly planning for the future. As always, the City of Morganton places the interest of its citizens as its number one priority. The City Council and City staff are challenged daily, and as a result, the City of Morganton continues to prosper.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Morganton for its comprehensive annual financial report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized Annual Report that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the City Manager, Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City of Morganton's finances.

Respectfully submitted,

*Jessie S. Parris, CPA*

Jessie S. Parris, CPA  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Morganton  
North Carolina**

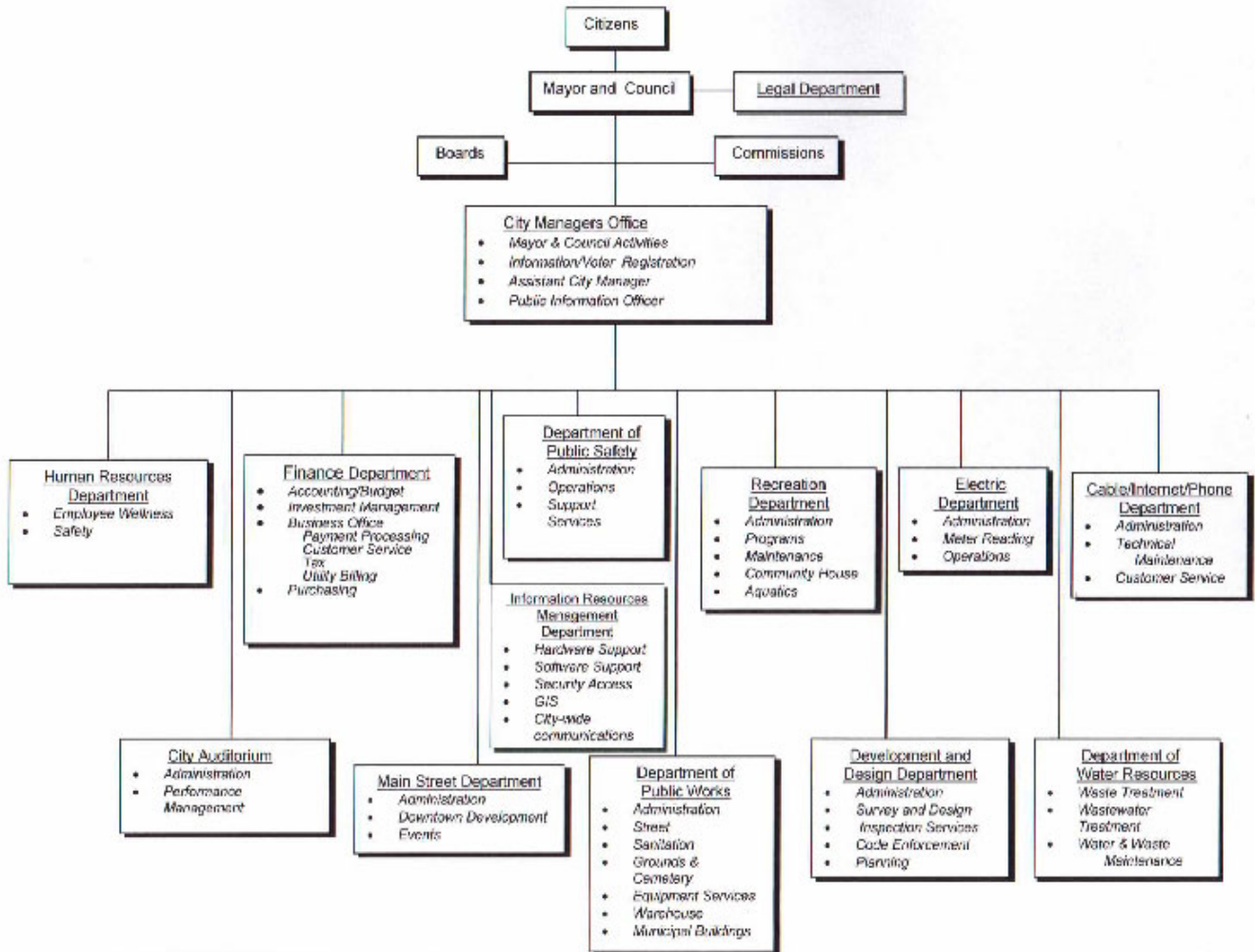
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

**CITY OF MORGANTON  
ORGANIZATION CHART**



## Independent Auditor's Report

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morganton, North Carolina (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morganton ABC Board, which represent 100 percent of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morganton ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Morganton ABC Board were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note VII to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, Fiduciary Activities. Additionally, the entity established an irrevocable other post employment benefit (OPEB) Trust which required a change in accounting principle to align the measurement date and the reporting date between GASB Statement No. 74, Financial reporting for postemployment benefits other than pension plans and GASB 75, Accounting and financial reporting for postemployment benefits other than pension. Our opinion is not modified with respect to these matters.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions and the Law Enforcement Officers' Special Separation Allowance Schedules of the Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, and the Schedule of Changes in the Net OPEB Liability and Related Ratios, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial



statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Elliott Davis, PLLC*

Raleigh, North Carolina  
October 31, 2021



## Management's Discussion and Analysis

As management of the City of Morganton (the "City"), we offer readers of the City of Morganton's financial statements this narrative overview and analysis of the financial activities of the City of Morganton for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

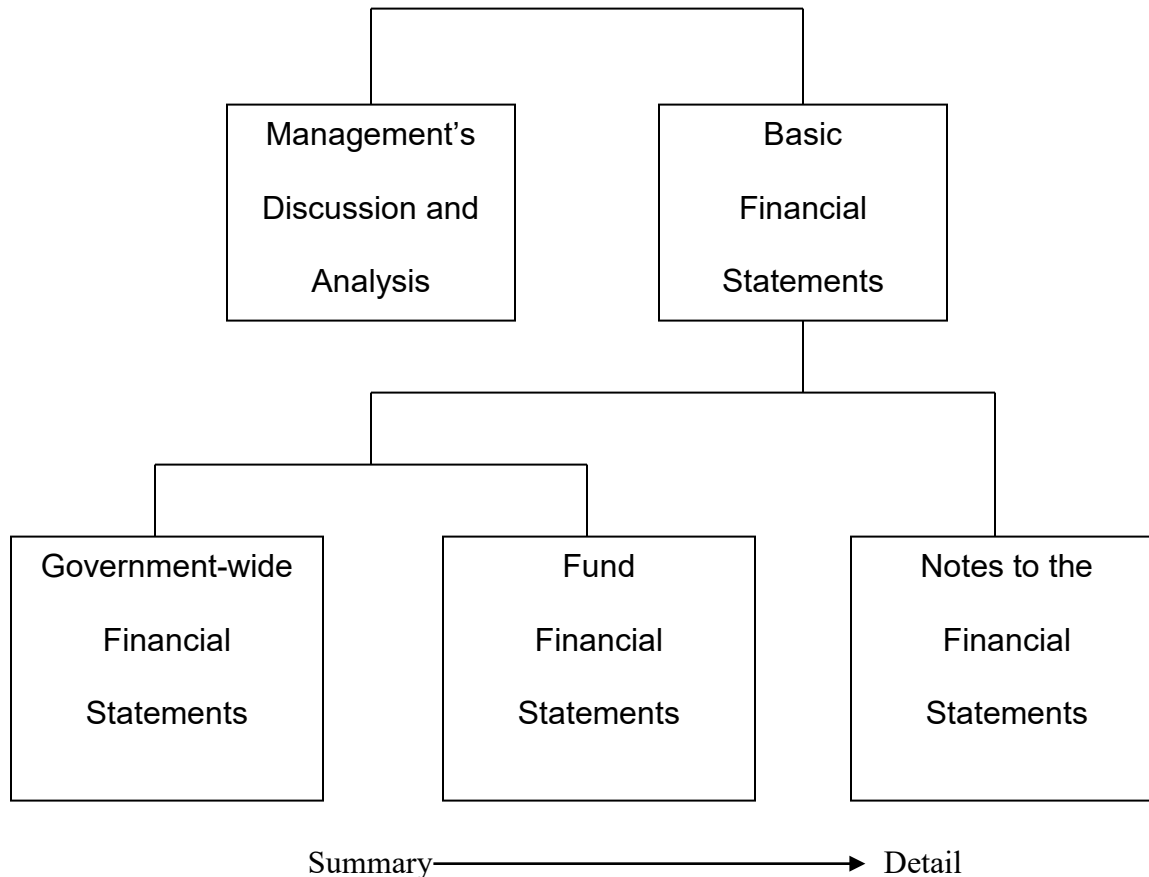
- The assets and deferred outflows of resources of the City of Morganton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$131,489,662 (*net position*).
- Fiscal year 2021 beginning net position was restated by \$2,945,741 as a result of incorporating changes in accounting principles because of the establishment of an irrevocable other post-employment benefits (OPEB) Trust. The irrevocable trust was established for the purpose of paying future post-employment benefits (OPEB) for which the City is liable. The initial contribution into the Trust was \$250,000.
- The government's total net position increased by \$10,067,528 primarily due to diligent cost-saving measures and returns on the City's economic development investments.
- As of the close of the current fiscal year, the City of Morganton's governmental funds reported combined ending fund balances of \$27,220,588, an increase of \$3,287,669 in fund balance. Approximately 77% of this total amount, or \$21,038,330, is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18,833,683, or 83% of total general fund expenditures and transfers out for the fiscal year.
- The City of Morganton's total debt increased by \$5,429,956 (11%) during the current fiscal year.
- Moody's Investors Service reviewed the City of Morganton bond ratings in 2003 at which time the City maintained its rating of A2. Standard and Poor's reviewed the City in 2014. The City's rating increased by two steps to a new rating of AA.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to City of Morganton's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Morganton.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through K) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

## Government-Wide Financial Analysis

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and electric and cable services offered by the City of Morganton. The final category is the component unit. Although legally separate from the City, the ABC Board is important to the City. The City exercises control over the Board by appointing its members and the Board is required to distribute its profits to the City.

The government-wide financial statements are Exhibits A and B of this report.

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Morganton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Morganton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Morganton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – City of Morganton has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. City of Morganton uses enterprise funds to account for its water and sewer activity and for its electric and cable operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of City of Morganton. The City uses an internal service fund to account for the activities of the management information systems, central warehouse and garage operations. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government –wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund, the OPEB Trust Fund.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Morganton’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the notes.

**Interdependence with Other Entities:** The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

### City of Morganton's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets:</b>						
Current and other assets	\$ 33,020,427	\$ 26,545,139	\$ 46,794,846	\$ 37,539,438	\$ 79,815,273	\$ 64,084,577
Capital assets	<u>33,062,093</u>	<u>31,241,195</u>	<u>76,356,152</u>	<u>75,947,315</u>	<u>109,418,245</u>	<u>107,188,510</u>
Total assets	<u>66,082,520</u>	<u>57,786,334</u>	<u>123,150,998</u>	<u>113,486,753</u>	<u>189,233,518</u>	<u>171,273,087</u>
<b>Deferred Outflows of Resources</b>						
	<u>4,337,670</u>	<u>3,836,362</u>	<u>1,304,411</u>	<u>1,171,395</u>	<u>5,642,081</u>	<u>5,007,757</u>
<b>Liabilities:</b>						
Long-term liabilities	28,363,218	23,219,304	21,453,961	21,626,399	49,817,179	44,845,703
Other liabilities	<u>5,306,216</u>	<u>2,163,930</u>	<u>6,738,272</u>	<u>5,915,864</u>	<u>12,044,488</u>	<u>8,079,794</u>
Total liabilities	<u>33,669,434</u>	<u>25,383,234</u>	<u>28,192,233</u>	<u>27,542,263</u>	<u>61,861,667</u>	<u>52,925,497</u>
<b>Deferred Inflows of Resources</b>						
	<u>1,127,261</u>	<u>1,436,799</u>	<u>397,009</u>	<u>496,414</u>	<u>1,524,270</u>	<u>1,933,213</u>
<b>Net Position:</b>						
Net investment in capital assets	27,734,431	27,614,287	61,102,293	59,268,805	88,836,724	86,883,092
Restricted	6,004,690	4,897,224	-	-	6,004,690	4,897,224
Unrestricted	<u>1,884,374</u>	<u>2,291,152</u>	<u>34,763,874</u>	<u>27,350,666</u>	<u>36,648,248</u>	<u>29,641,818</u>
Total net position	<u>\$ 35,623,495</u>	<u>\$ 34,802,663</u>	<u>\$ 95,866,167</u>	<u>\$ 86,619,471</u>	<u>\$ 131,489,662</u>	<u>\$ 121,422,134</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Morganton exceeded liabilities and deferred inflows by \$131,489,662 as of June 30, 2021. However, the largest portion reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Morganton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Morganton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Morganton's net position, \$6,004,690, represents resources that are subject to external restrictions on how they may be used.

Part of the increase in liabilities is attributable to the establishment of an irrevocable OPEB Trust which required a change in accounting principles to align the measurement date and the reporting date between GASB 74 and GASB 75 because of the new OPEB Trust. A restatement of \$2,945,741 to net position was required. The resulted in an increase in the liability which will remove the lag between measurement date and the reporting date for GASB 75.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a high collection rate.
- Increased sales tax revenues due to economic growth in the City.
- Continued low cost of debt due to the City's high bond rating.

(continued on next page)



**City of Morganton's Changes in Net Position**  
**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 7,703,971	\$ 3,039,231	\$ 47,323,186	\$ 47,206,980	\$ 55,027,157	\$ 50,246,211
Operating grants and contributions	1,656,870	749,741	-	-	1,656,870	749,741
Capital grants and contributions	443,371	2,466,301	6,375,904	4,961,315	6,819,275	7,427,616
General revenues:						
Property taxes	10,799,234	10,485,983	-	-	10,799,234	10,485,983
Other taxes	8,131,619	7,762,552	-	-	8,131,619	7,762,552
Other	168,651	246,162	180,895	488,624	349,546	734,786
Total revenues	<u>28,903,716</u>	<u>24,749,970</u>	<u>53,879,985</u>	<u>52,656,919</u>	<u>82,783,701</u>	<u>77,406,889</u>
<b>Expenses:</b>						
General government	6,344,651	4,184,168	-	-	6,344,651	4,184,168
Public safety	9,501,719	9,469,238	-	-	9,501,719	9,469,238
Environmental protection	1,880,894	1,139,565	-	-	1,880,894	1,139,565
Economic and physical development	3,403,176	1,863,906	-	-	3,403,176	1,863,906
Human services	5,301,692	6,156,414	-	-	5,301,692	6,156,414
Cultural and recreational	150,853	1,072,872	-	-	150,853	1,072,872
Interest on long-term debt	93,164	109,467	-	-	93,164	109,467
Water	-	-	5,303,125	5,436,736	5,303,125	5,436,736
Wastewater	-	-	4,693,396	4,603,843	4,693,396	4,603,843
Electric	-	-	28,114,445	28,012,699	28,114,445	28,012,699
Cable	-	-	5,003,317	4,987,761	5,003,317	4,987,761
Total expenses	<u>26,676,149</u>	<u>23,995,630</u>	<u>43,114,283</u>	<u>43,041,039</u>	<u>69,790,432</u>	<u>67,036,669</u>
Increase (decrease) in net position before transfers	2,227,567	754,340	10,765,702	9,615,880	12,993,269	10,370,220
Transfers	<u>784,199</u>	<u>743,202</u>	<u>(764,199)</u>	<u>(743,202)</u>	<u>20,000</u>	<u>-</u>
Increase (decrease) in net position	3,011,766	1,497,542	10,001,503	8,872,678	13,013,269	10,370,220
<b>Net Position:</b>						
Beginning of year	34,802,663	33,305,121	86,619,471	77,746,793	121,422,134	111,051,914
Restatement -OPEB	<u>(2,190,934)</u>	<u>-</u>	<u>(754,807)</u>	<u>-</u>	<u>(2,945,741)</u>	<u>-</u>
Beginning of year - July 1, restated	<u>32,611,729</u>	<u>33,305,121</u>	<u>85,864,664</u>	<u>77,746,793</u>	<u>118,476,393</u>	<u>111,051,914</u>
End of year - June 30	<u>\$ 35,623,495</u>	<u>\$ 34,802,663</u>	<u>\$ 95,866,167</u>	<u>\$ 86,619,471</u>	<u>\$ 131,489,662</u>	<u>\$ 121,422,134</u>

**Governmental activities.** Governmental activities increased the City's net position by \$3,011,766, thereby adding to the total growth in the net position of the City of Morganton. A restatement of \$2,190,934 to net position for Governmental activities related to OPEB liability was recorded during the fiscal year primarily because of the establishment of an irrevocable OPEB Trust. The increase in net position was the result of increased revenue generation as well as continued effort to control costs and manage expenditures. City management continued to reduce non-essential programs to a minimum and implemented cost saving strategies across City departments. Certain nonrecurring expenses were either postponed or renegotiated to maintain a healthy net position. Management believes healthy investment in the City will result in additional revenues, adding to the City's net position by investing in capital assets which were largely funded by cultural, recreational and economic development grant revenues. Increased efforts to maximize tax collections also contributed to the favorable net position. City management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- Continued concerted effort to control costs and manage expenditures appropriately
- Continued review of all non-essential programs and implementation of cost saving strategies when feasible
- Review and renegotiation of existing contracts
- Investment in infrastructure/ capital assets to maximize current and future revenue streams and cost-savings when possible
- Maximization of tax collections
- Annual review of re-prioritizing of capital outlay
- Continued growth in sales tax revenue

**Business-type activities.** Business-type activities increased the City of Morganton's net position by \$10,001,503, thereby adding to the total growth in the government's net position. A restatement of \$754,807 to net position for Business-type activities related to OPEB liability was recorded during the fiscal year primarily because of the establishment of an irrevocable OPEB Trust.

Key elements of this increase are as follows:

- Continued awareness of the largest customer's consumption patterns
- Continued concerted effort to control costs and manage expenditures appropriately
- Annual review and re-prioritizing of capital outlay
- Water and Wastewater master plan and rate study reviewed annually

**Governmental Funds.** The focus of the City of Morganton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Morganton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Morganton itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Morganton City's Council.

At June 30, 2021, governmental funds reported a combined fund balance of \$27,220,588 with a net increase in fund balance of \$3,287,669. Included in this change in fund balance is an increase in fund balance in the General Fund, Cemetery Fund, and Capital Projects Funds. A restatement of \$250,000 to net position for Governmental activities related to OPEB liability was recorded during the fiscal year primarily because of the establishment of an irrevocable OPEB Trust.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

There were several reasons the City revised its budget throughout the year. The most significant reason for the budget amendments was incomplete projects at the end of the previous year-end which required transferring prior year budget into the current fiscal year. Other budget amendments reflected new projects and programs which occurred throughout the fiscal year.

The variance between final amended budget and the actual results reflects conservative, responsible spending and timing of revenues received.

**Proprietary Funds.** The City of Morganton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds amounted to \$34,763,874, an increase in unrestricted net position by \$7,418,208.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Morganton's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$109,418,245 (net of accumulated depreciation). These assets include buildings, land, plant and system, equipment, and infrastructure.

Major capital asset transactions during the year include the following:

- Several large truck purchases
- Completed 105 Connector Road and Soccer Complex infrastructure projects
- Began construction of the Courthouse Square renovation and Downtown Greenway Connector projects
- Extensive manhole rehabilitation
- Water tank maintenance
- Significant improvements to Electric industrial customer services
- Park improvements
- Enhancements of internet infrastructure

**City of Morganton's Capital Assets  
(net of depreciation)**

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 12,673,548	\$ 12,803,783	\$ 15,040,621	\$ 15,040,621	\$ 27,714,169	\$ 27,844,404
Buildings	3,200,506	3,553,777	4,331,015	4,202,722	7,531,521	7,756,499
Plant and distribution systems	-	-	42,770,623	42,270,640	42,770,623	42,270,640
Equipment	10,724,808	10,960,233	13,620,399	14,433,334	24,345,207	25,393,567
Infrastructure	3,722,189	3,834,917	-	-	3,722,189	3,834,917
Construction in progress	<u>2,741,042</u>	<u>88,485</u>	<u>593,493</u>	<u>-</u>	<u>3,334,535</u>	<u>88,485</u>
						-
Total	<u>\$ 33,062,093</u>	<u>\$ 31,241,195</u>	<u>\$ 76,356,152</u>	<u>\$ 75,947,317</u>	<u>\$ 109,418,245</u>	<u>\$ 107,188,512</u>

Additional information on the City's capital assets can be found in Notes of the Basic Financial Statements.

(continued on next page)

**Long-term Debt.** As of June 30, 2021, the City of Morganton had \$12,685,692 of installment debt and \$7,896,119 in State revolving loans. The debt is backed by security interest in the property for which it was issued.

**Outstanding Debt  
Figure 5**

	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Installment purchases	\$ 5,327,952	\$ 3,626,908	\$ 7,357,740	\$ 8,145,134	\$ 12,685,692	\$ 11,772,042
Loans	-	-	7,896,119	8,533,376	7,896,119	8,533,376
Compensated absences	898,349	1,087,125	319,373	346,761	1,217,722	1,433,886
OPEB	15,459,229	13,538,929	6,011,922	5,265,139	21,471,151	18,804,068
Pension related debt (LGERS)	4,923,953	3,681,437	1,914,869	1,431,669	5,080,002	5,113,106
Pension related debt (LEO)	3,165,133	2,438,311	-	-	4,923,953	2,438,311
Total	<u>\$ 29,774,616</u>	<u>\$ 24,372,710</u>	<u>\$ 23,500,023</u>	<u>\$ 23,722,079</u>	<u>\$ 53,274,639</u>	<u>\$ 48,094,789</u>

**City of Morganton's Outstanding Debt.**

The City of Morganton's total debt increased by \$5,179,850 (11%) during the current fiscal year.

As mentioned in the financial highlights section of this document, the City of Morganton continues to maintain is A2 rating from Moody's Investors Service and AA rating from Standard and Poor's. These bond ratings are a clear indication of the sound financial condition of the City of Morganton. These ratings are a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Morganton is \$139,095,770.

Additional information regarding the City of Morganton's long-term debt can be found in Notes of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- Low unemployment. The City of Morganton unemployment rate of 4.3% is below the State average.
- Occupancy and Sales Tax. The City of Morganton experience an upward trend of Sales Tax, while Occupancy experienced a decline due to the COVID-19 pandemic.

## **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** All revenues, for all funds, are projected based on trend analysis, estimates provided by the North Carolina League of Municipalities, and assumed increases or decreases in usage. The City of Morganton responsibly and conservatively budgets its revenues. Assumptions used in budgeting major revenues are as follows:

Ad Valorem taxes are based on current valuations, as provided by the Burke County tax office, adjusted for anticipated annexations, discoveries, and releases.

Other taxes and licenses are forecasted based on past trends and future predictions.

Unrestricted Intergovernmental Revenues, such as utility franchise tax and sales tax reimbursements are budgeted based on past amounts received, adjusted for growth and local economic influences.

Restricted Intergovernmental Revenues are primarily grant related. Budgets are based on anticipated grant awards.

Sales and Services revenues vary in nature. The largest of these revenues, in the General Fund, are commercial solid waste user fees, the City of Morganton Municipal Auditorium ticket sales, and recreation program fees. The basis for budgeting these revenues is a factor of the number of participants (or users) multiplied by the appropriate rate or fee.

Overall the City of Morganton's governmental funds budget for 2021-2022 represents a decrease of 3% or \$748,199 less than 2020-2021 budget. The main reason for the difference is conservative, cost-cutting measures to maintain the City's operations during the COVID-19 pandemic.

**Business-type Activities:** Sales and service revenues are based on estimated usage or consumption multiplied by the applicable rates. The 2021-2022 business-type activities budget overall is 12% or \$6,127,492 higher than the 2020-2021 budget. The main reason for the difference is several, large capital projects in the Wastewater Fund.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, City of Morganton, PO Box 3448, Morganton, NC 28680. One can also call (828) 438-5240, or visit our website [www.morgantonnc.gov](http://www.morgantonnc.gov)

## CITY OF MORGANTON, NORTH CAROLINA

## Exhibit A

STATEMENT OF NET POSITION  
JUNE 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Morganton ABC Board
<b>Assets:</b>				
Current assets:				
Cash and cash equivalents	\$ 27,769,339	\$ 41,548,234	\$ 69,317,573	\$ 379,399
Taxes receivable, net	275,407	-	275,407	-
Receivables, net	1,528,747	4,276,624	5,805,371	-
Inventories	991,337	-	991,337	215,444
Prepaid items	188,481	69,584	258,065	-
Interest receivable	12,443	19,338	31,781	-
Restricted cash	2,254,673	881,066	3,135,739	-
Total current assets	<u>33,020,427</u>	<u>46,794,846</u>	<u>79,815,273</u>	<u>594,843</u>
Non-current assets:				
Note receivable	-	-	-	-
Net pension asset	-	-	-	-
Capital assets:				
Land and construction in progress	15,414,590	15,634,114	31,048,704	11,000
Other capital assets, net of depreciation	17,647,503	60,722,038	78,369,541	3,538
Total capital assets	<u>33,062,093</u>	<u>76,356,152</u>	<u>109,418,245</u>	<u>14,538</u>
Total non-current assets	<u>33,062,093</u>	<u>76,356,152</u>	<u>109,418,245</u>	<u>14,538</u>
Other assets	-	-	-	-
<b>Deferred Outflows of Resources:</b>				
OPEB deferrals	860,795	334,754	1,195,549	-
Pension deferrals	3,476,875	969,657	4,446,532	71,873
Total deferred outflows of resources	<u>4,337,670</u>	<u>1,304,411</u>	<u>5,642,081</u>	<u>71,873</u>
Total assets and deferred outflows of resources	<u>70,420,190</u>	<u>124,455,409</u>	<u>194,875,599</u>	<u>681,254</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable and accrued expenses	3,894,818	3,811,144	7,705,962	385,030
Customer deposits	-	881,066	881,066	-
Current Portion of compensated absences	89,835	31,937	121,772	-
Due within one year	1,321,563	2,014,125	3,335,688	-
Total current liabilities	<u>5,306,216</u>	<u>6,738,273</u>	<u>12,044,489</u>	<u>385,030</u>
Long-term liabilities:				
Due in more than one year	-	-	-	-
Net pension liability - LGRS	4,923,953	1,914,869	6,838,822	75,757
Total pension liability - LEOSSA	3,165,133	-	3,165,133	-
Net OPEB liability	15,459,229	6,011,922	21,471,151	22,673
Installment Purchases	4,006,389	5,980,858	9,987,247	-
Note Payable	-	7,258,876	7,258,876	-
Compensated Absences	808,514	287,436	1,095,950	-
Total long-term liabilities	<u>28,363,218</u>	<u>21,453,961</u>	<u>49,817,179</u>	<u>98,430</u>
Total liabilities	<u>33,669,434</u>	<u>28,192,233</u>	<u>61,861,667</u>	<u>483,460</u>
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	349	-	349	-
OPEB deferrals	999,829	388,822	1,388,651	-
Pension deferrals	127,083	8,187	135,270	2,794
Total deferred inflows of resources	<u>1,127,261</u>	<u>397,009</u>	<u>1,524,270</u>	<u>2,794</u>
<b>Net Position:</b>				
Net investment in capital assets	27,734,431	61,102,293	88,836,724	14,538
Restricted for:				
Stabilization for State statute	2,991,119	-	2,991,119	-
Transportation	725,145	-	725,145	-
Economic and physical development	2,288,427	-	2,288,427	-
Unrestricted	1,884,373	34,763,874	36,648,247	180,462
Total net position	<u>\$ 35,623,495</u>	<u>\$ 95,866,167</u>	<u>\$ 131,489,662</u>	<u>\$ 195,000</u>
Total liabilities, deferred inflows of resources, and net position	<u>70,420,190</u>	<u>124,455,409</u>	<u>194,875,599</u>	<u>681,254</u>

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 6,344,651	\$ 5,474,147	\$ 754,170	\$ -
Public safety	9,501,719	64,718	425,182	-
Transportation	1,880,894	-	-	443,371
Economic and physical development	3,403,176	1,624,179	-	-
Cultural and recreational	5,301,692	540,927	477,518	-
Environmental protection	150,853	-	-	-
Interest on long-term debt	93,164	-	-	-
Total governmental activities	<u>26,676,149</u>	<u>7,703,971</u>	<u>1,656,870</u>	<u>443,371</u>
<b>Business-Type Activities:</b>				
Water	5,303,125	5,952,318	-	-
Wastewater	4,693,396	5,937,772	-	-
Electric	28,114,445	29,547,080	-	6,248,588
Cable	5,003,317	5,886,016	-	127,316
Total business-type activities	<u>43,114,283</u>	<u>47,323,186</u>	<u>-</u>	<u>6,375,904</u>
Total primary government	<u>\$ 69,790,432</u>	<u>\$ 55,027,157</u>	<u>\$ 1,656,870</u>	<u>\$ 6,819,275</u>



## CITY OF MORGANTON, NORTH CAROLINA

Exhibit B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position			Component Unit Morganton ABC Board
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ (116,334)	\$ -	\$ (116,334)	\$ -
Public safety	(9,011,819)	-	(9,011,819)	-
Environmental protection	(1,437,523)	-	(1,437,523)	-
Economic and physical development	(1,778,997)	-	(1,778,997)	-
Human services	(4,283,247)	-	(4,283,247)	-
Cultural and recreational	(150,853)	-	(150,853)	-
Interest on long-term debt	(93,164)	-	(93,164)	-
Total governmental activities	(16,871,937)	-	(16,871,937)	-
<b>Business-Type Activities:</b>				
Water	-	649,193	649,193	-
Wastewater	-	1,244,376	1,244,376	-
Electric	-	7,681,223	7,681,223	-
Cable	-	1,010,015	1,010,015	-
Total business-type activities	-	10,584,807	10,584,807	-
Total primary government	(16,871,937)	10,584,807	(6,287,130)	-
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	10,799,234	-	10,799,234	-
Local option sales tax	5,393,891	-	5,393,891	-
Utility sales tax	1,710,919	-	1,710,919	-
Other taxes and licenses	1,026,809	-	1,026,809	-
Investment earnings, unrestricted	27,044	12,417	39,461	-
Miscellaneous, unrestricted	141,607	168,478	310,085	-
Total general revenues	19,099,504	180,895	19,280,399	-
<b>Transfers</b>	784,199	(764,199)	20,000	-
Total general revenues, capital contribution, and transfers	19,883,703	(583,304)	19,300,399	-
Change in net position	3,011,766	10,001,503	13,013,269	-
<b>Net Position:</b>				
Beginning of year	34,802,663	86,619,471	121,422,134	195,000
Restatement- OPEB	(2,190,934)	(754,807)	(2,945,741)	-
Beginning of year - July 1, restated	32,611,729	85,864,664	118,476,393	195,000
End of year - June 30	\$ 35,623,495	\$ 95,866,167	\$ 131,489,662	\$ 195,000

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit C

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

	Major		Nonmajor	
	General	American Rescue Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 23,218,379	\$ 2,417,809	\$ 1,369,626	\$ 27,005,814
Taxes receivable, net	275,407	-	-	275,407
Interest receivable	12,443	-	-	12,443
Due from other governments	-	-	-	-
Other receivables, net	1,524,999	-	3,748	1,528,747
Due from other funds	239,354	-	-	239,354
Prepaid items	177,568	-	-	177,568
Restricted assets:				
Cash and investments	1,913,333	-	341,340	2,254,673
Total assets	<u>\$ 27,361,483</u>	<u>\$ 2,417,809</u>	<u>\$ 1,714,714</u>	<u>\$ 31,494,006</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 372,059	\$ -	\$ 325,570	\$ 697,629
Advance payments from grant agency	-	2,417,809	-	2,417,809
Accrued payroll liabilities	642,870	-	-	642,870
Due to other funds	-	-	239,354	239,354
Liabilities to be paid from restricted cash	-	-	-	-
Total liabilities	<u>1,014,929</u>	<u>2,417,809</u>	<u>564,924</u>	<u>3,997,662</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	275,407	-	-	275,407
Prepaid taxes	349	-	-	349
Other receivables	-	-	-	-
Total deferred inflows of resources	<u>275,756</u>	<u>-</u>	<u>-</u>	<u>275,756</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepaid items	177,568	-	-	177,568
Restricted:				
Stabilization for State statute	2,216,423	-	774,696	2,991,119
Restricted for Streets - Powell Bill	725,145	-	-	725,145
Restricted, all other	1,913,333	-	375,094	2,288,427
Committed	2,204,647	-	-	2,204,647
Unassigned	18,833,682	-	-	18,833,682
Total fund balances	<u>26,070,798</u>	<u>-</u>	<u>1,149,790</u>	<u>27,220,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,361,483</u>	<u>\$ 2,417,809</u>	<u>\$ 1,714,714</u>	<u>\$ 31,494,006</u>

Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A)	\$ 27,220,588
Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,379,166
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position.	275,407
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(6,226,200)
Deferred outflows of resources related to pensions are not related in the funds.	3,338,353
Deferred outflows of resources related to OPEB are not related in the funds.	812,973
Deferred inflows of resources related to pensions are not related in the funds.	(125,913)
Deferred inflows of resources related to OPEB are not related in the funds.	(944,283)
The internal service fund is used by management to charge certain costs to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities statement of net position	1,440,201
Net pension liability	(4,677,185)
Net OPEB liability	(14,704,479)
Total pension liability	(3,165,133)
Net position of governmental activities	<u>\$ 35,623,495</u>

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Major		Nonmajor	
	General Fund	American Rescue Act Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,722,942	\$ -	\$ -	\$ 10,722,942
Local option sales taxes	5,393,889	-	2	5,393,891
Unrestricted intergovernmental revenues	1,026,809	-	-	1,026,809
Utility sales tax	1,710,919	-	-	1,710,919
Restricted intergovernmental revenues	1,024,429	-	744,438	1,768,867
Permits and fees	571,053	-	-	571,053
Sales and services	2,380,780	-	72,945	2,453,725
Investment earnings	26,180	-	864	27,044
Miscellaneous	75,107	-	66,500	141,607
Total revenues	<u>\$ 22,932,108</u>	<u>\$ -</u>	<u>\$ 884,749</u>	<u>\$ 23,816,857</u>
<b>Expenditures:</b>				
Current:				
General government	3,538,705	-	301,092	3,839,797
Public safety	8,245,368	-	20,000	8,265,368
Transportation	1,770,871	-	263,412	2,034,283
Environmental protection	1,332,753	-	-	1,332,753
Cultural and recreational	3,936,574	-	659,911	4,596,485
Economic and physical development	-	-	2,602,581	2,602,581
Debt service:				
Principal retirement	1,341,289	-	-	1,341,289
Interest and other charges	93,163	-	-	93,163
Advanced payment to escrow agent	-	-	-	-
Total expenditures	<u>20,258,723</u>	<u>-</u>	<u>3,846,996</u>	<u>24,105,719</u>
Revenues over (under) expenditures	<u>\$ 2,673,385</u>	<u>\$ -</u>	<u>\$ (2,962,247)</u>	<u>\$ (288,862)</u>
<b>Other Financing Sources (Uses):</b>				
Issuance of installment debt	3,042,332	-	-	3,042,332
Transfers enterprise funds	764,199	-	-	764,199
From General Fund	-	-	2,476,447	2,476,447
Transfers to general fund	(2,456,447)	-	-	(2,456,447)
Total other financing sources (uses)	<u>1,350,084</u>	<u>-</u>	<u>2,476,447</u>	<u>3,826,531</u>
Net change in fund balances	4,023,469	-	(485,800)	3,537,669
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>22,297,329</u>	<u>-</u>	<u>1,635,590</u>	<u>23,932,919</u>
Restatement- OPEB	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Beginning of year - July 1, restated	<u>22,047,329</u>	<u>-</u>	<u>1,635,590</u>	<u>23,682,919</u>
End of year - June 30	<u>\$ 26,070,798</u>	<u>\$ -</u>	<u>\$ 1,149,790</u>	<u>\$ 27,220,588</u>

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit E

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - total governmental funds	\$ 3,537,669
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	76,292
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	188,776
Pension Expense - LEOSSA	(60,850)
Pension Expense - LGERS	(1,365,980)
A change in accounting principle lead to the restatement of beginning net position, and did not impact governmental fund balance.	1,940,934
OPEB Plan Expense	(1,770,084)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	5,229,924
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(3,277,347)
The net expense of certain activities in the internal service fund are reported with governmental activities	213,476
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(3,042,332)
Principal repayments and capital lease payments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>1,341,288</u>
Total change in net position of governmental activities	<u>\$ 3,011,766</u>

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit F

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance from Final Budget Over/Under</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 10,124,177	\$ 10,124,177	\$ 10,722,942	\$ 598,765
Other taxes and licenses	3,560,283	3,716,283	5,393,889	1,677,606
Unrestricted intergovernmental revenues	875,824	875,824	1,026,809	150,985
Utility sales tax	1,764,169	1,764,169	1,710,919	(53,250)
Restricted intergovernmental revenues	559,099	936,354	1,024,429	88,075
Permits and fees	467,450	467,450	571,053	103,603
Sales and services	2,575,914	2,609,929	2,380,780	(229,149)
Investment earnings	106,001	106,007	26,180	(79,827)
Miscellaneous	64,793	64,793	75,107	10,314
Total revenues	<u>20,097,711</u>	<u>20,664,987</u>	<u>22,932,108</u>	<u>2,267,122</u>
<b>Expenditures:</b>				
Current:				
General government	5,684,144	3,962,930	3,538,705	424,225
Public safety	8,847,795	8,753,660	8,245,368	508,292
Transportation	1,974,393	2,037,913	1,770,871	267,042
Environmental Protection	1,346,966	1,349,442	1,332,753	16,689
Cultural and recreational	5,049,263	5,153,947	3,936,574	1,217,373
Debt service:				
Principal retirement	1,202,307	1,341,349	1,341,289	60
Interest and other charges	93,124	93,125	93,163	(38)
Total expenditures	<u>24,197,992</u>	<u>22,692,366</u>	<u>20,258,723</u>	<u>2,433,643</u>
Revenues over (under) expenditures	<u>(4,100,281)</u>	<u>(2,027,379)</u>	<u>2,673,385</u>	<u>4,700,764</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease financing issued	2,727,574	2,949,247	3,042,332	93,085
Transfers from other funds	764,199	764,199	764,199	-
Transfers to other funds	-	(2,476,447)	(2,456,447)	20,000
Appropriated fund balance	608,508	790,380	-	(790,380)
Total other financing sources (uses)	<u>4,100,281</u>	<u>2,027,379</u>	<u>1,350,084</u>	<u>(677,295)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,023,469</u>	<u>\$ 4,023,469</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>22,297,329</u>	
Restatement- OPEB			<u>(250,000)</u>	
Beginning of year - July 1, restated			<u>22,047,329</u>	
End of year - June 30			<u>\$ 26,320,798</u>	

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit G

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Assets:</b>						
Current assets:						
Cash and cash equivalents	\$ 2,756,265	\$ 1,635,784	\$ 7,286,543	\$ -	\$ 11,678,592	\$ 763,526
Investments	7,887,027	6,207,337	15,775,278	-	29,869,642	-
Accounts receivable, net	600,297	394,480	3,265,146	16,701	4,276,624	-
Grants receivable	-	-	-	-	-	-
Inventory	-	-	-	-	-	991,337
Interest receivable	5,094	4,681	9,563	-	19,338	-
Prepaid assets	13,739	26,239	23,851	5,755	69,584	10,913
Restricted cash and cash equivalents	115,107	124,666	641,293	-	881,066	-
Total current assets	<u>11,377,529</u>	<u>8,393,187</u>	<u>27,001,674</u>	<u>22,456</u>	<u>46,794,846</u>	<u>1,765,776</u>
Non-current assets:						
Due from other funds	891,577	-	-	-	891,577	-
Capital assets:						
Land and construction in progress	995,895	14,067,068	565,565	5,586	15,634,114	33,317
Other capital assets, net of depreciation	16,689,331	28,997,046	10,549,463	4,486,198	60,722,038	649,609
Total non-current assets	<u>18,576,803</u>	<u>43,064,114</u>	<u>11,115,028</u>	<u>4,491,784</u>	<u>77,247,729</u>	<u>682,926</u>
Total assets	<u>29,954,333</u>	<u>51,457,301</u>	<u>38,116,701</u>	<u>4,514,240</u>	<u>124,042,575</u>	<u>2,448,702</u>
<b>Deferred Outflow of Resources:</b>						
OPEB deferrals	95,644	95,644	107,599	35,867	334,754	47,822
Pension deferrals	277,045	277,045	311,675	103,892	969,657	138,522
Total deferred outflows of resources	<u>372,689</u>	<u>372,689</u>	<u>419,274</u>	<u>139,759</u>	<u>1,304,411</u>	<u>186,344</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable	108,351	191,827	3,041,334	246,181	3,587,693	136,510
Accrued payroll	76,307	46,440	68,659	32,045	223,451	-
Current portion of compensated absences	6,027	8,169	11,643	6,098	31,937	-
Current portion of installment purchase	170,000	1,036,418	96,375	74,089	1,376,882	-
Current portion of note payable	62,306	574,937	-	-	637,243	-
Total current liabilities	<u>422,991</u>	<u>1,857,791</u>	<u>3,218,011</u>	<u>358,413</u>	<u>5,857,206</u>	<u>136,510</u>
Non-current liabilities:						
Liabilities payable from restricted assets:						
Customer deposits	115,107	124,666	641,293	-	881,066	-
Other non-current liabilities:						
Due to other funds	-	-	-	891,577	891,577	-
Installment purchase	3,916	5,316,642	533,028	127,272	5,980,858	-
Note payable	934,586	6,324,290	-	-	7,258,876	-
Compensated absences	54,240	73,522	104,788	54,886	287,436	-
Net pension liability	547,105	547,105	615,494	205,165	1,914,869	246,868
Net OPEB liability	1,717,693	1,722,869	1,932,404	638,956	6,011,922	754,751
Total non-current liabilities	<u>3,372,647</u>	<u>14,109,094</u>	<u>3,827,007</u>	<u>1,917,856</u>	<u>23,226,604</u>	<u>1,001,619</u>
Total liabilities	<u>3,795,638</u>	<u>15,966,885</u>	<u>7,045,018</u>	<u>2,276,269</u>	<u>29,083,810</u>	<u>1,138,129</u>
<b>Deferred Inflows of Resources:</b>						
Pension deferrals	2,339	2,339	2,632	877	8,187	1,170
OPEB deferrals	111,092	111,092	124,978	41,660	388,822	55,546
Total deferred inflows of resources	<u>113,431</u>	<u>113,431</u>	<u>127,610</u>	<u>42,537</u>	<u>397,009</u>	<u>56,716</u>
<b>Net Position:</b>						
Net investment in capital assets	16,514,418	29,811,827	10,485,625	4,290,423	61,102,293	682,926
Unrestricted	9,903,535	5,937,847	20,877,722	(1,955,230)	34,763,874	757,275
Total net position	<u>\$ 26,417,953</u>	<u>\$ 35,749,674</u>	<u>\$ 31,363,347</u>	<u>\$ 2,335,193</u>	<u>\$ 95,866,167</u>	<u>\$ 1,440,201</u>

## CITY OF MORGANTON, NORTH CAROLINA

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Operating Revenues:</b>						
Charges for services	\$ 5,952,318	\$ 5,937,772	\$ 29,547,080	\$ 5,886,016	\$ 47,323,186	\$ 2,124,044
Restricted intergovernmental	-	-	6,248,588	127,316	6,375,904	-
Total operating revenues	5,952,318	5,937,772	35,795,668	6,013,332	53,699,090	2,124,044
<b>Operating Expenses:</b>						
Salaries and employee benefits	1,555,573	1,196,569	1,654,744	1,014,455	5,421,341	794,260
Other operating expenses	2,649,519	1,548,954	25,469,709	3,575,801	33,243,983	-
MIS, Garage and Warehouse Operations	-	-	-	-	-	1,001,336
Depreciation	1,094,268	1,620,962	985,851	408,477	4,109,558	120,651
Total operating expenses	5,299,360	4,366,485	28,110,304	4,998,733	42,774,882	1,916,247
Operating income (loss)	652,958	1,571,287	7,685,364	1,014,599	10,924,208	207,797
<b>Non-Operating Revenues (Expenses):</b>						
Capital contribution	-	-	-	-	-	-
Interest income	2,994	10,085	(675)	13	12,417	-
Interest expense	(3,765)	(326,911)	(4,141)	(4,584)	(339,401)	-
Miscellaneous income	-	44,958	12,055	111,465	168,478	5,679
Gain/(loss) on a sale	-	-	-	-	-	-
Total non-operating revenues (expenses)	(771)	(271,868)	7,239	106,894	(158,506)	5,679
Income (loss) before capital contributions and transfers	652,187	1,299,419	7,692,603	1,121,493	10,765,702	213,476
<b>Transfers:</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(764,199)	-	(764,199)	-
Net transfers	-	-	(764,199)	-	(764,199)	-
Change in net position	652,187	1,299,419	6,928,404	1,121,493	10,001,503	213,476
<b>Net Position:</b>						
Beginning of year - July 1	25,981,425	34,665,914	24,677,560	1,294,572	86,619,471	1,226,725
Beginning as restated	25,765,766	34,450,255	24,434,943	1,213,700	85,864,664	1,226,725
End of year - June 30	26,417,953	35,749,674	31,363,347	2,335,193	95,866,167	1,440,201



## CITY OF MORGANTON, NORTH CAROLINA

## Exhibit I

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Cash Flows from Operating Activities:</b>						
Cash received from customers	\$ 5,944,039	\$ 5,989,645	\$ 36,019,221	\$ 6,037,535	\$ 53,990,440	\$ 2,124,098
Cash paid for goods and services	(2,680,601)	(1,498,084)	(24,761,014)	(3,427,937)	(32,367,636)	(1,028,442)
Cash paid to employees for services	(1,479,360)	(1,076,014)	(1,549,844)	(964,715)	(5,069,933)	(780,998)
Customer deposits	-	8,233	31,846	-	40,079	-
Net cash provided (used) by operating activities	1,784,078	3,423,780	9,740,209	1,644,883	16,592,950	314,658
<b>Cash Flows from Non-Capital Financing Activities:</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(764,199)	-	(764,199)	-
Interfund Borrowings	990,121	-	-	(990,121)	-	-
Net cash provided (used) by non-capital financing activities	990,121	-	(764,199)	(990,121)	(764,199)	-
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(846,742)	(631,130)	(2,450,339)	(590,185)	(4,518,396)	(120,651)
Installment purchase debt issued	-	-	521,543	-	521,543	-
Loss from disposal of capital asset	-	-	-	-	-	-
Proceeds from sale of long-term asset	-	44,958	12,056	-	57,014	-
Long-term debt payments	(232,306)	(1,603,496)	(110,625)	(59,993)	(2,006,420)	-
Interest paid	(3,765)	(326,911)	(4,142)	(4,584)	(339,402)	-
Net cash provided (used) for capital and related financing activities	(1,082,813)	(2,516,579)	(2,031,507)	(654,762)	(6,285,661)	(120,651)
<b>Cash Flows from Investing Activities:</b>						
(Purchase) and disposal of investments	(4,392,500)	(3,889,085)	(10,310,827)	-	(18,592,412)	-
Interest on investments	2,994	10,085	(675)	-	12,404	-
Net cash provided (used) for investing related financing activities	(4,389,506)	(3,879,000)	(10,311,502)	-	(18,580,008)	-
Net increase (decrease) in cash and cash equivalents	(2,698,120)	(2,971,799)	(3,366,999)	-	(9,036,918)	194,007
<b>Cash and Cash Equivalents:</b>						
Beginning of year - July 1	5,569,492	4,732,249	11,294,835	-	21,596,576	569,519
End of year - June 30	\$ 2,871,372	\$ 1,760,450	\$ 7,927,836	\$ -	\$ 12,559,658	\$ 763,526
	\$ 2,871,372	\$ 1,760,450	\$ 7,927,836	\$ -	\$ 12,559,658	\$ 763,526

## CITY OF MORGANTON, NORTH CAROLINA

## Exhibit I

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Business-Type Activities				Totals	Governmental Activities - Internal Service Fund
	Enterprise Funds					
	Water Fund	Wastewater Fund	Electric Fund	Cable Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>						
Operating income (loss)	\$ 652,958	\$ 1,571,287	\$ 7,685,364	\$ 1,014,599	\$ 10,924,208	\$ 207,797
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,094,268	1,620,962	985,851	408,477	4,109,558	120,651
Changes in assets and liabilities:						
Increase (decrease) in inventories	-	-	-	-	-	(58,636)
(Increase) decrease in accounts receivable	(14,977)	51,873	223,553	18,415	278,864	54
Increase (decrease) in accounts payable and accrued liabilities	(40,186)	54,257	691,995	146,849	852,915	7,795
Increase (decrease) in prepayments	3,819	4,846	31,846	22	40,533	2,879
Increase (decrease) in accrued vacation pay	18,837	46,020	26,872	28,908	120,637	-
Increase (decrease) in net OPEB liability	(2,292)	2,884	(2,580)	(6,038)	(8,026)	2,588
(Increase) decrease in deferred outflows of resources - pensions	(56,041)	(56,041)	(63,045)	(21,015)	(196,142)	(28,020)
(Increase) decrease in deferred outflows of resources - OPEB	18,036	18,036	(20,291)	(7,756)	8,025	31,407
Increase in net pension liability	138,057	138,057	155,315	51,772	483,201	42,343
Decrease in deferred inflows of resources - pension	(2,943)	(2,943)	(3,311)	1,104	(8,093)	(1,471)
Decrease in deferred inflows of resources - OPEB	(25,458)	(25,458)	28,640	9,546	(12,730)	(12,729)
Total adjustments	1,131,120	1,852,493	2,054,845	630,284	5,668,742	106,861
Net cash provided (used) by operating activities	\$ 1,784,078	\$ 3,423,780	\$ 9,740,209	\$ 1,644,883	\$ 16,592,950	\$ 314,658
Contributed capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF MORGANTON, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND- OPEB TRUST FUND  
JUNE 30, 2021**

	<b>OPEB Trust Fund</b>
<b>Assets:</b>	
Current assets:	
Restricted cash and cash equivalents	\$ 249,478
Total assets	<u>249,478</u>
<b>Liabilities:</b>	
Intergovernmental Payable	<u>-</u>
Total Liabilities	<u>-</u>
<b>Net Position:</b>	
Restricted for:	249,478
Postemployment benefits, other than pensions	<u>249,478</u>
Total fiduciary net position	<u>249,478</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF MORGANTON, NORTH CAROLINA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND- OPEB TRUST FUND  
JUNE 30, 2021**

	<b>OPEB Trust Fund</b>
<b>Additions:</b>	
Employer Contributions	\$ 934,951
Net Investment Income:	(628)
Total additions	<u>934,323</u>
<b>Deductions:</b>	
Benefit Payments	<u>934,951</u>
Total deductions	<u>934,951</u>
Net increase (decrease) in fiduciary net position	(628)
Net position - beginning, as previously reported	-
Prior period restatement	250,106
Net position- beginning, as restated	<u>250,106</u>
Net position - ending	<u><u>\$ 249,478</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Morganton, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

The accounting policies of the City of Morganton and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The City of Morganton (the “City”) is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the City and its component unit, a legally separate entity for which the City is financially accountable. The discretely presented component unit presented below is reported in a separate column in the financial statements in order to emphasize that it is legally separate from the City.

**City of Morganton ABC Board**

The members of the ABC Board's governing board are appointed by the City. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at City of Morganton ABC Board, 228 W. Fleming Drive, Morganton, NC 28655.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a specific function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a specific program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services. Additionally, the City has legally adopted an Economic Development Fund. Under GASB 54 guidance the Economic Development Fund is consolidated in the General Fund. The budgetary comparison for the Economic Development Fund has been included in the supplemental information.

**American Recovery Plan Fund.** This fund is used to account for federal funds received from the American Recovery Plan Act.

The City reports the following non-major governmental funds:

**CDBG Entitlement Special Revenue Fund.** This fund is used to account for federal funds used to benefit low- and – moderate- income individuals.

**Cemetery Special Revenue Fund.** This fund is used to account for perpetual care of the municipal cemetery. The revenue source is user fees.

**Building Reuse Special Revenue Fund.** This fund is used to account for transactions related to the reuse of existing buildings within the City limits. The revenue source is State grants.

**Soccer Complex Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's soccer complex expansion capital project.

**Exit 105 Connector Road Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's exit 105 road connector capital project. The revenue source is Federal grant.

**Greenway Connector Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's Greenway connector capital project. The revenue source is a State grant.

**College Street Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's College Street improvements capital project. The revenue source is city funding.

**Courthouse Square Capital Project Fund.** This fund is used to account for the revenue and expenditures of the City's courthouse square renovation capital project.

The City reports the following major enterprise funds:

**Water Fund.** This fund is used to account for the City's water operations.

**Electric Fund.** This fund is used to account for the City's electric operations.

**Wastewater Fund.** This fund is used to account for the City's wastewater operations. A Wastewater Capital Projects Fund has been consolidated into the Wastewater Fund for financial reporting purposes. The budgetary comparison for the Wastewater Capital Projects Fund has been included in the supplemental information.

**Cable Fund.** This fund is used to account for the City's cable operations.

The City reports the following fund type:

**Internal Service Fund.** This fund is used to account for the accumulation and allocation of costs associated with the City's warehouse, garage, and information resource management services functions.

**Fiduciary Fund- OPEB Trust.** This fund is used to account for the monies deposited in State of North Carolina's Ancillary Government Participant Investment Program (AGPIP).

### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Morganton because the tax is levied by Carolina County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.



Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

#### D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Economic Development Fund, the Cemetery Special Revenue Fund, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all the Capital Projects Funds, ARP Funds and CDBG Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. The City's Internal Service Fund, an internal service fund, operates under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

##### 1. Deposits and Investments

All deposits of the City and the ABC Board are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the ABC Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the ABC Board may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The City's and the ABC Board's investments are generally reported at fair value.

In accordance with State law, the City has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

General Statute 159-30.1 allows the City to establish and fund an irrevocable trust for the purpose of paying post-employment benefits (OPEB) for which the City is liable. The City Other Postemployment Benefit (OPEB) Trust is managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. The Trust is not registered with the SEC. G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, and the Bond Index Fund (BIF) consisting of high-quality debt securities eligible under G.S. 147-69.2(b)(1) -(6).

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2021, of 1.3 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

The BIF is measured at fair value using Level 2 inputs and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. BIF does not have a credit rating, was valued at \$1 per unit and had an average maturity of 7.97 years at June 30, 2021.

## 2. Cash and Cash Equivalents

The City pools money from several funds, except the OPEB Trust Fund, to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

## 3. Restricted Assets

Customer deposits held by the City before any services are supplied are restricted to the service for which the deposit was collected. Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Cash and cash equivalents in the OPEB Trust Fund is considered restricted because it can only be used to pay other postemployment benefit obligations.

**Governmental Activities****General Fund**

Streets	725,145
Economic Development	1,188,188
Cemetery Fund	280,200
Building Re-Use	8,175
CDBG Entitlement	<u>52,965</u>
Total Governmental Activities	<u><u>2,254,673</u></u>

**Business-Type Activities****Water Fund**

Customer Deposits	115,107
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**Wastewater Fund**

Customer Deposits	124,666
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**Electric Fund**

Customer Deposits	<u>641,293</u>
Total Business-Type Activities	<u><u>881,066</u></u>

**Fiduciary Activities****OPEB Trust Fund**

OPEB Trust	<u>249,478</u>
Total Fiduciary Activities	<u><u>249,478</u></u>

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

## 6. Inventory and Prepaid Items

The internal service fund maintains all inventories of the City unless it has been charged out to enterprise fund trucks. All inventories are valued at average cost. The ABC Board inventories are valued at cost (first-in, first- out), which approximates market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

## 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are \$5,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

(Continued on next page)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20
Distribution System	10-30
Buildings	20
Equipment	10
Vehicles	5
Vehicles > 1 ton	10

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	35
Improvements	15
Equipment	5

#### 8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion, pension deferrals and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension and OPEB deferrals.

#### 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received or not, are reported as debt service expenditures.

#### 10. Compensated Absences

The vacation policy of the City and the ABC Board provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Both the City's and ABC Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

#### 11. Net Position/Fund Balances

##### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are externally imposed either by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

##### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid Insurance– Insurance paid in advance.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of unexpended Powell Bill funds.

Restricted for Economic Development - portion of fund balance restricted for economic development [G.S. Chapter 159, Article 3, Part 2].

**Committed Fund Balance** – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Morganton's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Canteen Operations – portion of fund balance available for appropriation but segregated for canteen operations. It represents the balance of the total unexpended canteen funds.

Committed for Drug Enforcement – portion of fund balance available for appropriation but segregated for drug enforcement. It represents the balance of the total unexpended confiscated drug funds.

Committed for Capital Projects – portion of fund balance available for appropriation but has been assigned by the governing board for future capital improvements.

Committed for Other – portion of fund balance committed for future trust possibility.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Morganton has a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, and lastly unassigned fund balance.

The City of Morganton has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the general fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

## 12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Morganton's employer contributions are recognized when due and the City of Morganton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.



## **II. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the City's deposits had a carrying amount of \$13,890,691 and a bank balance of \$13,448,729. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$374,399 and the bank balance was \$503,112. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

#### **2. Investments**

At June 30, 2021, the City's investment balances were as follows:

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2021</b>	<b>Maturity</b>	<b>Rating</b>
Commercial Paper: Toyota Motor Credit Corp	Fair Value Level 2	\$ 999,456	July 2, 2021	A1+ P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$ 998,824	July 23, 2021	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 998,517	August 3, 2021	A1 P1
Commercial Paper: Collateralized COML Paper V Co	Fair Value Level 2	\$ 998,368	September 14, 2021	A1 P1
Commercial Paper: MUFG Bank LTD/NY	Fair Value Level 2	\$ 998,896	September 27, 2021	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$ 999,113	October 18, 2021	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 999,297	November 16, 2021	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$ 999,254	November 24, 2021	A1 P1
Commercial Paper: NATIXIS NY Branch	Fair Value Level 2	\$ 999,025	December 20, 2021	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 999,004	December 31, 2021	A1 P1
Commercial Paper: Credit Suisse First Boston NY	Fair Value Level 2	\$ 998,730	January 22, 2022	A1 P1
Commercial Paper: Credit Agricole CIB NY	Fair Value Level 2	\$ 999,402	February 11, 2022	A1 P1
Commercial Paper: Collateralized COML Paper V Co	Fair Value Level 2	\$ 999,258	March 18, 2022	A1 P1
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 1,000,223	July 25, 2022	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 999,327	October 21, 2022	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 999,927	February 24, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 998,123	March 10, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 998,217	March 30, 2023	AAA

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2021</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 997,523	April 13, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 998,089	May 9, 2023	AA+
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,806	May 19, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,763	August 24, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 999,010	September 8, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 997,604	September 29, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 998,595	October 13, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 998,689	October 13, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 996,064	October 16, 2023	AAA
Government Agency: Federal Home Loan MTG Corp	Fair Value Level 2	\$ 996,064	October 16, 2023	AAA
Government Agency: Federal National Mortgage Assn	Fair Value Level 2	\$ 1,000,900	November 16, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 995,004	December 21, 2023	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 995,803	December 22, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 999,150	December 29, 2023	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 994,892	January 11, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 996,720	February 13, 2024	Unrated

<b>Investments by Type</b>	<b>Valuation Measurement Method</b>	<b>Book Value at 6/30/2021</b>	<b>Maturity</b>	<b>Rating</b>
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 991,045	February 16, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 998,076	March 15, 2024	AAA
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 996,913	April 5, 2024	Unrated
Government Agency: Federal Farm Credit Bank	Fair Value Level 2	\$ 996,646	April 22, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 996,862	April 29, 2024	Unrated
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 995,145	May 24, 2024	Unrated
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 995,585	June 7, 2024	Unrated
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 995,261	June 24, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 997,562	June 28, 2024	AAA
Government Agency: Federal Home Loan Bank	Fair Value Level 2	\$ 1,000,007	June 28, 2024	AAA
NC Capital Management Trust- Government Portfolio	Amortized Cost	\$ 14,902,360	N/A	AAAm
Total:		\$ 58,812,099		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

*Interest Rate Risk.* The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s internal investment policy limits investments to the following parameters:

- Percent of Portfolio under 270 days..... Up to 50%
- Percent of Portfolio under 365 days..... Up to 75%
- Percent of Portfolio under 3 years..... Up to 100%

*Credit risk.* The City has no formal policy regarding credit risk but has internal management procedures that limits the City’s investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City diversifies its’ investment portfolio to avoid incurring unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities:

<b>Investment Type</b>	<b>Maximum % of Portfolio</b>
U.S. Government Agency	Up to 100%
U.S. Government Treasury	Up to 100%
Bankers Acceptances/ Commercial Paper	Up to 40%
Repurchase Agreements	Up to 25%
Certificates of Deposit – Commercial	Up to 100%
Certificates of Deposit- Savings	Up to 25%
NCCMT	Up to 50%

The City’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor’s and AAMf rating by Moody’s Investors Service as of June 30, 2021.

General Statute 15-30.1 allows the City to establish and fund an irrevocable trust for the purpose of paying post- employment benefits (OPEB) for which the City is liable. The City’s Other Post-Employment Benefit (OPEB) Trust is managed by the staff of the Department of the State Treasurer and operated in accordance with the state laws and regulations. The Trust is not registered with the SEC. G.S. 159-30(g) allows the City to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). Funds submitted are held in the State Treasurer’s Short –Term Investment Fund (STIF) and Bond Index Fund (BIF). Allowable STIF and BIF investments are detailed in G.S. 147-69.1

At June 30,2021, the City of Morganton OPEB Trust Fund had \$249,478 invested in the Ancillary Governmental Participants Program (AGPIP), established by the Treasurer of the State of North Carolina. The AGPIP may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the AGPIP was invested 80% in the BIF and 20% in the STIF.

*Concentration of Credit Risk.* The City places the following limits on the percentage that the City may invest in any one issuer:

- Bankers Acceptances – No more than 25% of the total portfolio with any one institution.
- Commercial Paper – No more than 25% of the total portfolio with any one issuer.
- Repurchase Agreements – No more than 15% of the total portfolio with any one institution.
- Certificates of Deposits- Commercial – No more than 50% of the total portfolio with any one institution.
- Certificates of Deposits- Savings – No more than 25% of the total portfolio with any one institution.
- NCCMT – No more than 50% of the total portfolio.

Other than stated above, the City of Morganton has no other formal policy relation to the credit risk of investments and deposits.

### 3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021, are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable	\$ 390,971
Accounts receivable	23,318
Revolving Loans	18,668
Uncollectible Charges	4,929
Total General Fund	<u>\$ 437,886</u>
Enterprise Funds	
Water Fund - accounts receivable	12,414
Wastewater Fund - accounts receivable	6,108
Electric Fund - accounts receivable	39,982
Cable Fund - accounts receivable	5,000
Total Enterprise Funds	<u>63,504</u>
Total	<u><u>\$ 501,390</u></u>

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4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 12,770,466	\$ -	\$ (130,235)	\$ -	\$ 12,640,231
Construction in progress	88,485	2,652,557	-	-	2,741,042
Total non-depreciable capital assets	<u>12,858,951</u>	<u>2,652,557</u>	<u>(130,235)</u>	<u>-</u>	<u>15,381,273</u>
<b>Depreciable Capital Assets:</b>					
Buildings	23,932,888	29,231	(1,053,957)	-	22,908,162
Equipment	30,216,583	1,471,524	(691,780)	-	30,996,327
Infrastructure	45,285,874	1,076,612	(126,880)	-	46,235,606
Total depreciable capital assets	<u>99,435,345</u>	<u>2,577,367</u>	<u>(1,872,617)</u>	<u>-</u>	<u>100,140,095</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	20,454,356	377,674	(1,053,957)	-	19,778,073
Equipment	19,832,158	1,710,333	(691,780)	-	20,850,711
Infrastructure	41,450,957	1,189,340	(126,880)	-	42,513,417
Total accumulated depreciation	<u>81,737,471</u>	<u>3,277,347</u>	<u>(1,872,617)</u>	<u>-</u>	<u>83,142,201</u>
Total depreciable capital assets	<u>17,697,874</u>	<u>(699,980)</u>	<u>-</u>	<u>-</u>	<u>16,997,894</u>
capital assets, net	<u>\$30,556,825</u>				<u>\$32,379,167</u>

Depreciation expense was charged to functions or programs of the primary government as follows:

General government	\$ 393,169
Public safety	776,895
Transportation	1,240,337
Environmental Protection	136,862
Cultural and Recreation	<u>730,084</u>
Total	<u>\$3,277,347</u>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Internal Service Fund</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 33,317	\$ -	\$ -	\$ -	\$ 33,317
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets	<u>33,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,317</u>
<b>Depreciable Capital Assets:</b>					
Buildings	703,433			-	703,433
Equipment	1,651,887	119,118	(250,245)	-	1,520,760
Total depreciable capital assets	<u>2,355,320</u>	<u>119,118</u>	<u>(250,245)</u>	<u>-</u>	<u>2,224,193</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	628,099	4,917		-	633,016
Equipment	1,076,079	115,734	(250,245)	-	941,568
Total accumulated depreciation	<u>1,704,178</u>	<u>120,651</u>	<u>(250,245)</u>	<u>-</u>	<u>1,574,584</u>
Total depreciable capital assets, net	<u>651,142</u>	<u>(1,533)</u>	<u>-</u>	<u>-</u>	<u>649,609</u>
Internal Service capital assets, net	<u>\$ 684,459</u>	<u>\$ (1,533)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,926</u>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Business-Type Activities:</b>					
<b>Water:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 912,017	\$ -	\$ -	\$ -	\$ 912,017
Construction in progress	-	83,878	-	-	83,878
Total non-depreciable capital assets	<u>912,017</u>	<u>83,878</u>	<u>-</u>	<u>-</u>	<u>995,895</u>
<b>Depreciable Capital Assets:</b>					
Buildings	10,106,366	29,446	-	-	10,135,812
Plant and System	24,857,416	644,706	-	-	25,502,122
Equipment	4,652,558	88,712	(69,576)	-	4,671,694
Total depreciable capital assets	<u>39,616,340</u>	<u>762,864</u>	<u>(69,576)</u>	<u>-</u>	<u>40,309,628</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	7,405,498	134,699	-	-	7,540,197
Plant and System	12,095,510	666,884	-	-	12,762,394
Equipment	3,094,596	292,686	(69,576)	-	3,317,705
Total accumulated depreciation	<u>22,595,604</u>	<u>1,094,269</u>	<u>(69,576)</u>	<u>-</u>	<u>23,620,296</u>
Total depreciable capital assets, net	<u>17,020,736</u>				<u>16,689,331</u>
Water capital assets, net	<u>\$ 17,932,753</u>				<u>\$ 17,685,226</u>



	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Business-Type Activities:</b>					
<b>Wastewater</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 14,067,068	\$ -	\$ -	\$ -	\$ 14,067,068
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets:	<u>14,067,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,067,068</u>
<b>Depreciable Capital Assets:</b>					
Buildings	3,928,538	355,217	-	-	4,283,755
Plant and System	32,939,184	279,923	-	-	33,219,107
Equipment	17,519,244	-	(52,463)	-	17,466,781
Total depreciable capital assets	<u>54,386,966</u>	<u>635,140</u>	<u>(52,463)</u>	<u>-</u>	<u>54,969,643</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	3,288,059	77,941	-	-	3,366,000
Plant and System	14,509,666	827,758	-	-	15,337,424
Equipment	6,602,363	719,273	(52,463)	-	7,269,173
Total accumulated depreciation	<u>24,400,088</u>	<u>1,624,972</u>	<u>(52,463)</u>	<u>-</u>	<u>25,972,597</u>
Total depreciable capital assets, net	<u>29,986,878</u>				<u>28,997,046</u>
Wastewater capital assets, net	<u>\$ 44,053,946</u>				<u>\$ 43,064,114</u>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Business-Type Activities:</b>					
<b>Electric:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 55,950	\$ -	\$ -	\$ -	\$ 55,950
Construction in progress	-	509,615	-	-	509,615
Total non-depreciable capital assets:	<u>55,950</u>	<u>509,615</u>	<u>-</u>	<u>-</u>	<u>565,565</u>
<b>Depreciable Capital Assets:</b>					
Buildings	2,677,695	-	-	-	2,677,695
Plant and System	18,201,065	1,547,105	-	-	19,748,170
Equipment	5,547,748	393,618	(316,029)	-	5,625,337
Total depreciable capital assets	<u>26,426,508</u>	<u>1,940,723</u>	<u>(316,029)</u>	<u>-</u>	<u>28,051,202</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	2,165,887	65,923	-	-	2,231,810
Plant and System	10,862,802	613,650	-	-	11,476,452
Equipment	3,803,228	306,278	(316,029)	-	3,793,477
Total accumulated depreciation	<u>16,831,917</u>	<u>985,851</u>	<u>(316,029)</u>	<u>-</u>	<u>17,501,739</u>
Total depreciable capital assets, net	<u>9,594,591</u>				<u>10,549,463</u>
Electric capital assets, net	<u>\$ 9,650,541</u>				<u>\$ 11,115,028</u>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2020</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>June 30, 2021</b>
<b>Business-Type Activities:</b>					
<b>Cable</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 5,586	\$ -	\$ -	\$ -	\$ 5,586
Construction in progress	-	-	-	-	-
Total non-depreciable capital assets:	<u>5,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,586</u>
<b>Depreciable Capital Assets:</b>					
Buildings	901,299	49,111	-	-	950,410
Plant and System	14,036,588	477,952	-	-	14,514,540
Equipment	761,364	63,122	(20,240)	-	804,245
Total depreciable capital assets	<u>15,699,251</u>	<u>590,185</u>	<u>(20,240)</u>	<u>-</u>	<u>16,269,195</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	551,732	26,919	-	-	578,651
Plant and System	10,295,635	341,411	-	-	10,637,046
Equipment	547,394	40,148	(20,240)	-	567,302
Total accumulated depreciation	<u>11,394,761</u>	<u>408,477</u>	<u>(20,240)</u>	<u>-</u>	<u>11,782,998</u>
Total depreciable capital assets, net	<u>4,304,490</u>				<u>4,486,196</u>
Cable capital assets, net	<u>\$ 4,310,076</u>				<u>\$ 4,491,782</u>

(Continued on the next page)

## Discretely presented component unit

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Capital assets not being depreciated:</b>				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Total capital assets not being depreciated	11,000	-	-	11,000
<b>Capital assets being depreciated:</b>				
Buildings	77,980	-	-	77,980
Improvements	151,153	-	-	151,153
Equipment	178,680	-	-	178,680
Total capital assets being depreciated	407,813	-	-	407,813
<b>Less accumulated depreciation for:</b>				
Buildings	77,980	-	-	77,980
Improvements	151,153	-	-	151,153
Equipment	172,240	2,902	-	175,142
Total accumulated depreciation	401,373	2,902	-	404,275
<b>Total capital assets being depreciated, net</b>	6,440	(2,902)	-	3,538
<b>ABC capital assets, net</b>	\$ 17,440	\$ (2,902)	\$ -	\$ 14,538

## B. Liabilities

### 1. Pension Plan and Postemployment Obligations

#### a. Local Governmental Employees' Retirement System

*Plan Description.* The City of Morganton is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable agency service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Morganton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Morganton's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Morganton were \$1,058,584 for the year ended June 30, 2021.

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the City reported a liability of \$6,838,823 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the City's proportion was 0.19138%, which was a decrease of 0.00415% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$2,338,206. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 863,623	
Changes of assumptions	508,943	-
Net difference between projected and actual earnings on pension plan investments	962,381	-
Changes in proportion and differences between City contributions and proportionate share of contributions	69,528	29,239
City contributions subsequent to the measurement date	1,058,584	-
Total	<u>\$ 3,463,059</u>	<u>\$ 29,239</u>

\$1,058,584 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$	658,299
2023		894,182
2024		537,940
2025		284,815
2026		-
Thereafter		-

*Actuarial Assumptions.* The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 13,875,226	\$ 6,838,823	\$ 991,077

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

b. Law Enforcement Officers Special Separation Allowance

**1. Plan Description.**

The City of Morganton administers a public employee retirement system (the *Separation Allowance*), a single employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the Separation Allowance.

At December 31, 2019, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>57</u>
Total	<u>72</u>



## ***2. Summary of Significant Accounting Policies***

*Basis of Accounting.* The City has chosen to fund the Separation Allowance on a pay as you go basis.

Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

## ***3. Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2019, valuation. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

## ***4. Contributions.***

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$236,928 as benefits came due for the reporting period.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the City reported a total pension liability of \$3,165,132. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the City recognized pension expense of \$307,882.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 76,786	\$ 60,328
Changes of assumptions	669,759	45,703
County benefit payments and plan administrative expense made subsequent to the measurement date	236,928	-
Total	<u>\$ 983,473</u>	<u>\$ 106,031</u>

\$236,928 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 132,842
2023	133,232
2024	144,336
2025	148,397
2026	81,707
Thereafter	-

*Sensitivity of the City's total pension liability to changes in the discount rate.* The following presents the City's total pension liability calculated using the discount rate of 1.93 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<b>1% Decrease (.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 3,451,203	\$ 3,165,132	\$ 2,906,569

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<b>2021</b>
Beginning balance	\$ 2,438,311
Service Cost	102,065
Interest on the total pension liability	75,627
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	72,246
Changes of assumptions or other inputs	713,811
Benefit payments	(236,928)
Other changes	-
Ending balance of the total pension liability	<u>\$ 3,165,132</u>

The plan currently uses mortality tables that vary by age, and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019, valuation was based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions***

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 2,338,206	\$ 307,882	\$ 2,646,088
Pension Liability	6,838,823	3,165,133	10,003,956
Proportionate share of the net pension liability	0.19138%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	863,623	76,786	940,409
Changes of assumptions	508,943	669,759	1,178,702
Net difference between projected and actual earnings on plan investments	962,381	-	962,381
Changes in proportion and differences between contributions and proportionate share of contributions	69,528	-	69,528
Benefit payments and administrative costs paid subsequent to the measurement date	1,058,584	236,928	1,295,512
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	60,328	60,328
Changes of assumptions	-	45,703	45,703
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	29,239	-	29,239

c. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The City made contributions of \$321,898 for the reporting year. No amounts were forfeited.

d. Other Postemployment Benefit

Healthcare Benefits

*Plan Description.* Per a 1988 City Council approved policy; the City administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the City. How much the City will pay for basic medical insurance for all retirees is based upon years of service. The City's contributions are financed on a pay-as-you-go basis. The policy provides for termination of the benefit upon thirty days' notice.

Membership of the HCB Plan consisted of the following at December 31, 2020, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees receiving benefits	67	15
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	288	57
Total	<u>355</u>	<u>72</u>

The following schedule became effective July 1, 1997 and applies to employees hired prior, on or after to July 1, 2012:

Retired Employees' Years of Creditable Service	Date Hired	
	Pre-July 1, 2007	On or after July 1, 2007
5 to 9.99 years	Not eligible for coverage	Not eligible for coverage
10 to 19.99 years	50% coverage paid for by City	50% coverage paid for by City
20 to 24.99 years	Full coverage paid for by City	75% coverage paid for by City
25+ years	Full coverage paid for by City	Full coverage paid for by City
Disability Retirement	Full coverage paid for by City	Full coverage paid for by City

The City's contribution will cease when the retiree reaches age 65. Employees pay varying amounts depending on the plan they choose as the cost of their coverage. Retirees pay according to the scale listed above. Employees and retirees have the option of purchasing dependent coverage. Coverage for all retirees' ceases when they are Medicare eligible. The City has chosen to fund healthcare benefits on a pay-as-you-go basis. A separate report was not issued for the plan.

During fiscal year 2021, a \$250,000 initial contribution was paid into the City of Morganton OPEB Trust. This irrevocable trust was established for the purpose of paying future post-employment benefits (OPEB) for which the City is liable. The Fiscal Year 2022 budget does not include an additional contribution to the Fund.

*Investment Policy.* The OPEB Trust had \$249,478 invested in the State Treasurer's Local Government Other Post Employment (OPEB) Trust at June 30, 2021. The following was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021.

Asset Class	Target Allocation 2021	Long-Term Expected Real Rate of Return 2021
Bond Index Fund	80%	2.80%
Equity Index Fund	0%	0.00%
Short Term Investment Fund	20%	2.00%
Total	100%	

*Rate of Return.* For the year ended June 30, 2021, the annual money weighted rate of return on investments, net of investment expense, was 4.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## Net OPEB Liability

The City's net OPEB liability of \$21,471,151 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

At June 30, 2021 the City of Morganton's OPEB Trust had \$249,478 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G.S. 159-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the City of Morganton's OPEB Trust was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 20 %, which is reported as cash and cash equivalents; State Treasurer's Bond Index Fund (BIF) 80 % and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund (EIF) 0 % (the equities were split with 58.82% in domestic securities and 41.18% in international securities).

The components of the net OPEB liability of the city as of June 30, 2021 were as follows:

Total OPEB Liability	\$ 27,720,629
Plan fiduciary net position	<u>249,478</u>
City's net OPEB liability	\$ 21,471,151
Plan fiduciary net position as a percentage of the total OPEB Liability	1.15%

*Level of the fair value hierarchy:* Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs—other than quoted prices—included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2021 of 1.3 years.

Ownership of the BIF is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. On 6/30/2021 the BIF, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 8.34 years at June 30, 2021.

The BlackRock's MSCI ACWI EQ Index Non-Lendable Class B fund, authorized under G.S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2021 the fair value of the funds was \$ 32.24591 per share. Fair value for this Blackrock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Valuation Technique:* North Carolina Department of State Treasurer OPEB Trust investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

*Actuarial assumptions and other inputs.* The net OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Real Wage Growth	0.75 percent
Salary increases	3.25- 8.41 percent, general employees 3.25 – 8.15 percent, firefighters 3.25 – 7.90 percent, law enforcement
Long-term Investment Rate of Return, Net of OPEB plan investment expense, Including price inflation	2.64 percent
Municipal Bond Index Rate	
Prior Measurement	2.21 percent
Measurement Date	2.16 percent
Year FNP is projected to be depleted	
Prior Measurement	N/A
Measurement Date	2021
Single Equivalent Interest Rate, net Of OPEB plan investment expense, Including price inflation	
Prior Measurement	2.21 percent
Measurement Date	2.16 percent
Healthcare cost trend rates	7.00 percent for 2020 decreasing to an ultimate rate of 4.50 percent by 2026

### Changes in the Net OPEB Liability

	<b>Net OPEB Liability</b>
<b>Balance at July 1, 2020</b>	21,314,409
<b>Changes for the year</b>	
Service cost	1,058,463
Interest	466,301
Changes of benefit terms	-
Differences between expected and actual experience	(127,201)
Changes in assumptions or other inputs	(306,498)
Benefit payments	(934,951)
Net Investment Income	628
<b>Net changes</b>	156,742
<b>Balance at June 30, 2021</b>	21,471,151



The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20- year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase</u>
Net OPEB liability	\$ 23,616,584	\$ 21,471,151	\$ 19,564,830

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 18,789,540	\$ 21,471,151	\$ 24,691,117

*Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At June 30, 2021, the City reported a net OPEB liability of \$21,471,151. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions.

At June 30, 2021, the components of the Net OPEB Liability of the City, measured as of June 30, 2020, were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at June 30, 2020	\$ 21,564,515	\$ 250,106	\$ 21,314,409
Changes for the Year:			-
Service Cost	1,058,463	-	1,058,463
Interest	466,301	-	466,301
Differences between Expected and Actual experience	(127,201)	-	(127,201)
Changes of assumptions	(306,498)	-	(306,498)
Contributions		934,951	(934,951)
Net Investment Income		(628)	628
Benefit Payments	(934,951)	(934,951)	-
Net Changes	156,114	(628)	156,742
Balances at June 30, 2021	\$ 21,720,629	\$ 249,478	\$ 21,471,151

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.58 percent in 2019 to 3.87 percent in 2020. Medical claims cost and rates were changed based on most recent experience and changed to the current schedule. The City changed the accounting principle to align the Measurement Date and the Reporting Date between GASB 74 and GASB 75. The net result is to remove the lag between the Measurement Date and the Reporting Date for GASB 75.

### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the City recognized OPEB expense of \$1,167,730. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,185	\$ 586,414
Changes of assumptions	227,953	802,237
Net difference between projected and actual earnings on plan investments	5,785	
Benefit payments and administrative costs made subsequent to the measurement date	954,626	
Total	\$ 1,195,549	\$ 1,388,651

\$954,626 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$	(350,431)
2023		(350,431)
2024		(202,507)
2025		(121,244)
2026		(77,226)
Thereafter		(45,889)

**2. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years. To mitigate the risk of flood, the City has obtained flood insurance.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 each.

### 3. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

### 4. Long-Term Obligations

#### a. Governmental Funds Installment Purchase

All of the City's installment purchase debt financings were direct borrowings. GASB 88 does not apply to any of the contracts listed below:

\$3,339,700 - Town Hall Building - 2007 Financing; due in sixteen (16) annual installments of \$222,347 through 2023; interest payable at 3.93% from 2007-2011; 3.49% 2011-2023	\$ 333,970
\$1,290,000 - Community House Renovation- 2017 Financing; due in annual installments over 15 years at 3.23% interest.	946,000
\$2,258,570 - Main Street Courthouse Square - 2020 Financing; due in annual installments over 15 years, including interest at variable amounts through 2021; interest payable at 1.93%	2,266,814
\$818,500 - Public Safety Vehicles and Fire Truck - 2017 Financing; due in annual installments over 5 years; interest payable at 2.14%	171,365
\$335,489 - New Backhoe and Knuckleboom - 2018 Financing; due in annual installments over 4 years; interest payable at 3.04%	171,945
\$187,213 - New Dump Trucks- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	140,058
\$59,804 - 1 Ton Dump Truck- 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	59,804
\$124,509 - 2 Ton Dump Truck- 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	124,509
\$274,979 - Front Loader - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	274,979

\$156,637 - New Tractor- 2019 Financing; due in annual installments over 4 years; interest payable at 2.03%	42,866
\$44,352 - Recreation Service Vehicle - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	44,352
\$400,173 - Public Safety Cars - 2018 Financing; due in annual installments over 3 years; interest payable at 3.07%	136,234
\$183,285.51 - Fire Truck Re-Furbishment - 2019 Financing; due in annual installments over 5 years; interest payable at 3.42%	(130)
\$548,000 - Public Safety Cars - 2019 Financing; due in annual installments over 3 years; interest payable at 2.03%	343,310
\$271,875 - Public Safety Vehicles - 2020 Financing; due in annual installments over 5 years; interest payable at 1.45%	271,875
<b>Total direct placement</b>	<b><u>\$5,327,951</u></b>

Annual debt service payments of the installment purchase as of June 30, 2021, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 1,289,651	\$ 112,789
2023	854,073	81,336
2024	494,225	65,369
2025	330,048	57,739
2026	329,996	51,734
2027-2031	1,182,857	671,797
2032-2036	847,101	43,590
Total	\$ 5,327,951	\$ 1,084,354

b. Enterprise Funds Installment Purchase

All of the City's installment purchase debt financings were direct borrowings. GASB 88 does not apply to any of the contracts listed below:

(Continued on next page)

**Serviced by the Water Fund:****Direct Placement Debt:**

\$1,700,000 - Water Filter Media Project - 2012 Financing;  
 due in 10 annual installments through 2023;  
 interest payable at 2.08% \$ 173,916

\$1,246,115 - Clearwell Water Plant Improvements - 2016 Financing;  
 due in 20 annual installments;  
 interest payable at 0.00% \$ 996,892

**Serviced by the WasteWater Fund:****Direct Placement Debt:**

\$9,716,370 - Sewer Plant Upgrades- 2017 Financing;  
 due in 10 annual installments; interest payable at 2.45% \$ 6,108,844

\$398,000 - Sewer Vac Truck- 2018 Financing;  
 due in 5 annual installments; interest payable at 3.29% \$ 244,216

\$11,495,222 - Treatment Plant Improvements- 2013 Financing;  
 due in 20 annual installments; interest payable at 2.00% \$ 6,899,228

**Serviced by the Electric Fund:****Direct Placement Debt:**

\$529,788- Electric Courthouse Square- 2020 Financing;  
 due in 15 annual installments; interest payable at 1.93% \$ 521,544

\$280,400 - Electric DiggerTrucks- 2018 Financing;  
 due in 4 annual installments; interest payable at 2.67% \$ 107,860

**Serviced by the Cable Fund:****Direct Placement Debt:**

\$60,225.35 - Cable Service Trucks - 2020 Financing;  
 due in 5 annual installments; interest payable at 1.45% \$ 60,225

\$165,000 - Cable DNCS System- 2017 Financing;  
 due in 5 annual installments; interest payable at 2.42% \$ 57,398

\$106,544 - Cable Bucket Truck - 2019 Financing;  
 due in 5 annual installments; interest payable at 2.05% \$ 83,736

**Total Direct Placement** \$ 15,253,859



Annual debt service payments of the installment purchase as of June 30, 2021, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 2,014,126	\$ 315,379
2023	1,841,554	270,620
2024	1,798,642	230,124
2025	1,729,666	189,889
2026	1,734,779	151,921
2027-2031	4,443,052	341,214
2032-2035	1,692,040	10,225
<b>Total</b>	<b>\$ 15,253,859</b>	<b>\$ 1,509,372</b>

**c. Changes in Long-Term Liabilities**

Compensated absences for governmental activities have typically been liquidated in the General Fund.

	Balance			Balance	Current
	July 1, 2020	Increases	Decreases	June 30, 2021	Portion of Balance
<b>Governmental Activities:</b>					
Direct placement installment purchases	\$ 3,626,908	\$ 3,042,332	\$(1,341,288)	\$ 5,327,952	\$ 1,321,563
Compensated absences	1,087,125	401,143	(589,919)	898,349	89,835
Net pension liability (LGERS)	3,681,436	1,242,517	-	4,923,953	-
Total Pension Liability (LEO)	2,438,311	726,822	-	3,165,133	-
Net OPEB Liability	<u>13,538,930</u>	<u>1,920,299</u>	<u>-</u>	<u>15,459,229</u>	<u>-</u>
Total governmental activities	<u>\$ 24,372,710</u>	<u>\$ 7,333,113</u>	<u>\$(1,931,207)</u>	<u>\$ 29,774,616</u>	<u>\$ 1,411,398</u>
<b>Business-Type Activities:</b>					
Installment purchase	\$ 8,145,148	\$ 581,769	\$(1,369,177)	\$ 7,357,740	\$ 1,376,882
Revolving Loans	8,533,376	-	(637,257)	7,896,119	637,243
Net pension liability (LGERS)	1,431,669	483,200	-	1,914,869	-
Net OPEB liability	5,265,139	746,783	-	6,011,922	-
Compensated absences	<u>346,761</u>	<u>180,066</u>	<u>(207,454)</u>	<u>319,373</u>	<u>31,937</u>
Total business-type activities	<u>\$ 23,722,093</u>	<u>\$ 1,991,818</u>	<u>\$(2,213,888)</u>	<u>\$ 23,500,023</u>	<u>\$ 2,046,062</u>

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Water Fund - due from Cable Fund	\$ 891,577	\$ -
General Fund- due from Greenway Connector Fund	239,354	
Greenway Connector Fund - due to General Fund		239,354
Cable Fund - due to Water Fund	<u>-</u>	<u>891,577</u>
Total	<u>\$ 1,130,931</u>	<u>\$ 1,130,931</u>

The outstanding balances between funds result mainly from working capital loans made to other funds which are expected to be reimbursed in a future year.

Transfers are used for various reasons. In the year ended June 30, 2021 transfers were used for:

- Subsidize the general fund to forestall a significant property tax increase
- Cover administrative costs for special revenue funds
- Fund capital projects

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund :		
From Electric Fund	764,199	
To Capital Projects Funds		\$2,456,447
	<u>764,199</u>	<u>2,456,447</u>
Capital Projects Funds:		
From General Fund	2,456,447	
From Electric Fund	521,544	
From Water Fund	100,000	
	<u>3,077,991</u>	
Electric Fund :		
To General Fund		764,199
To Capital Projects Fund		521,544
		<u>1,285,743</u>
Water Fund :		
To Capital Projects Fund		<u>100,000</u>
Grand Totals	<u>\$3,842,190</u>	<u>\$3,842,190</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

#### **D. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance-General Fund	\$26,070,798
Less:	
Stabilization by State Statute	2,216,422
Streets-Powell Bill	725,145
Prepaid	177,568
Economic Development	1,913,333
Assigned, other	2,204,647
Remaining Fund Balance	<u>\$18,833,683</u>

The City of Morganton has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

General Fund	\$ 439,627
Greenway Connector	381,380
College Street	34,605
Courthouse Square	563,569
Courthouse Square - Electric	3,382
Water Fund	218,098
Electric Fund	2,289,879
Wastewater Fund	229,219
Cable Fund	331,783
Internal Service Fund	46,145
Entitlement - Special Revenue	128,105

### **III. Jointly Governed Organization**

The City, in conjunction with twenty other local governments, is a member of the North Carolina City Electric Agency (Electric Agency). The Electric Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Electric Agency's governing board. The twenty-one members, who receive power from the Electric Agency, have signed power sales agreements to purchase a specified share of the power generated by the Electric Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The City's purchases of power for the fiscal year ended June 30, 2021, were \$22,951,092.

The City, in conjunction with twenty-six other municipalities established the Western Piedmont Council of Governments (WPCOG). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$22,848 to the Council during the fiscal year ended June 30, 2021.

#### **IV. Joint Ventures**

The City, in conjunction with Burke County, Caldwell County, and the City of Lenoir participates in a regional airport. Each participating government appoints members to the board. The Airport is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The Airport has been in existence for fifty years, but it is not self-sustaining. The City has an ongoing financial responsibility for the Airport because it and the County are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event proceeds from other default remedies are insufficient. The City contributed \$47,137 to the Airport during the fiscal year ended June 30, 2021. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2021. Complete financial statements for the Airport can be obtained from the Airport's administrative offices.

The City and the members of the City's public safety department each appoint two members to the five-member local board of trustees for the Firemen's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firemen's Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firemen's Relief Fund. The funds are used to assist fire fighters in various ways. During the fiscal year ended June 30, 2021, the City reported revenues of \$15,249 and expenditures of \$19,264 for the payments made through the Firemen's Relief Fund.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2021. The Firemen's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

## **V. Related Organization**

The five-member board of the City of Morganton Housing Authority is appointed by the mayor of the City of Morganton. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

The City of Morganton is also disclosed as a related organization in the notes to the financial statements for the City of Morganton Housing Authority. Complete financial statements for the Housing Authority.

## **VI. Summary Disclosure of Significant Contingencies**

### **Federal and State Assisted Programs**

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

### **COVID-19 Pandemic**

The 2019 novel coronavirus (“COVID-19”) has continued to adversely affect, and may continue to adversely affect economic activity globally, nationally, and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity which may increasingly have the potential to negatively impact the City’s financial condition and its customer’s costs, the NC economy, and the U.S. economy. Further, COVID-19 may continue to result in health or other government authorities requiring closure or disruption of some of the City’s operations or other businesses of the City’s customers and suppliers, which could significantly disrupt the City’s operations and the operations of the City’s customers. The extent of the adverse impact of the COVID-19 outbreak on the City cannot be predicted at this time.

## **VII. Restatements**

### **Change in Accounting Principle**

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

Additionally, the city established an irrevocable other postemployment benefit (OPEB) Trust which required a change in accounting principle to align the measurement date and the reporting date between GASB Statement No. 74, Financial Reporting for postemployment benefits other than pension plans and GASB 75. Accounting and financial reporting for postemployment benefits other than pension.

As part of implementing the statement, the City performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as of the beginning of the fiscal year. The City's implementation of the OPEB Trust Fund resulted in a restatement to 2020 fund balance of \$215,659 for the Water and Wastewater Funds, \$242,617 for the Electric Fund, \$80,872 for the Cable Fund, and \$2,190,934 to the Governmental Activities 2020 Net Position.

### **VIII. Stewardship, Compliance, and Accountability**

#### **Deficit Fund Balance of Individual Funds not appropriated in subsequent year's budget ordinance**

The Greenway Connector Project Fund had a deficit fund balance at June 30, 2021 of \$323,384. The main revenue for this project fund is a grant from NCDOT. During fiscal year 2021, the project construction began, and a progress reimbursement request from the grant was not completed before June 30, as the City, determined to submit one reimbursement request at the end of the project. However, contractual obligations had to be paid based on progress of completion of construction.

## CITY OF MORGANTON, NORTH CAROLINA

CITY OF MORGANTON'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS

	Local Government Employees' Retirement System							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Morganton's proportion of the net pension liability (asset) (%)	0.191%	0.187%	0.185%	0.189%	0.200%	0.202%	0.21%	0.20%
Morganton's proportion of the net pension liability (asset) (\$)	\$ 6,838,823	\$ 5,113,105	\$ 4,395,238	\$ 2,880,674	\$ 4,235,544	\$ 906,742	\$ (1,218,415)	\$ 2,427,643
Morganton's covered payroll	\$ 13,194,310	\$ 12,578,485	\$ 11,914,784	\$ 11,353,548	\$ 11,312,359	\$ 11,592,235	\$ 10,422,226	\$ 10,063,585
Morganton's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.83%	40.65%	36.89%	25.37%	37.44%	7.82%	(11.69%)	24.12%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.



## CITY OF MORGANTON, NORTH CAROLINA

CITY OF MORGANTON'S SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST EIGHT FISCAL YEARS

	Local Government Employees' Retirement System							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,202,189	\$ 990,889	\$ 995,775	\$ 912,453	\$ 842,339	\$ 769,923	\$ 819,571	\$ 806,235
Contributions in relation to the contractually required contribution	<u>1,202,189</u>	<u>990,889</u>	<u>995,775</u>	<u>912,453</u>	<u>842,339</u>	<u>769,923</u>	<u>819,571</u>	<u>806,235</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Morganton's covered payroll	13,398,946	\$ 13,194,310	\$ 12,578,485	\$ 11,914,784	\$ 11,353,548	\$ 11,312,359	\$ 11,592,235	\$ 10,422,226
Contributions as a percentage of covered payroll	9.11%	6.90%	7.92%	7.66%	7.42%	6.81%	7.07%	7.74%

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## CITY OF MORGANTON, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS

<u>Law Enforcement Officers' Special Separation Allowance</u>					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,438,311	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747	\$ 2,613,350
Service Cost	102,065	85,169	90,254	82,676	87,059
Interest on the total pension liability	75,627	82,871	79,331	94,486	89,917
Differences between expected and actual experience in the measurement of the total pension liability	72,246	27,713	(103,527)	(49,733)	-
Changes of assumptions or other inputs	713,811	69,429	(87,215)	140,214	(57,236)
Benefit payments	<u>(236,927)</u>	<u>(207,089)</u>	<u>(218,192)</u>	<u>(191,823)</u>	<u>(189,343)</u>
Ending balance of the total pension liability	<u>\$ 3,165,133</u>	<u>\$ 2,438,311</u>	<u>\$ 2,380,218</u>	<u>\$ 2,619,567</u>	<u>\$ 2,543,747</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FIVE FISCAL YEARS**

	<u>Law Enforcement Officers' Special Separation Allowance</u>				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 3,165,133	\$ 2,438,311	\$ 2,380,218	\$ 2,619,567	\$ 2,543,747
Covered payroll	3,106,525	2,752,867	2,663,965	2,781,238	2,872,388
Total pension liability as a percentage of covered payroll	101.89%	88.57%	89.35%	94.19%	88.56%

Notes to the schedules:

The City of Morganton has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years.  
Additional years' information will be displayed as it becomes available.

## CITY OF MORGANTON, NORTH CAROLINA

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS

<b>Total OPEB Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service Cost	\$ 1,058,463	\$ 613,573	\$ 634,665	\$ 686,630
Interest	466,301	715,115	661,281	577,105
Changes of benefit terms				
Differences between expected and actual experience	(127,201)	(803,324)	16,737	(30,128)
Changes of assumptions	(306,498)	390,004	(581,592)	(1,017,284)
Benefit payments	(934,951)	(980,073)	(867,669)	(762,150)
<b>Net change in total OPEB liability</b>	<b>156,114</b>	<b>(64,705)</b>	<b>(136,578)</b>	<b>(545,827)</b>
<b>Total OPEB liability - beginning</b>	<b>21,564,515</b>	<b>18,868,774</b>	<b>19,005,352</b>	<b>19,551,179</b>
<b>Total OPEB liability - ending (a)</b>	<b>21,720,629</b>	<b>18,804,069</b>	<b>18,868,774</b>	<b>19,005,352</b>
 <b>Plan Fiduciary Net Position</b>				
Contributions- Employer	934,951			
Net Investment Income	(628)			
Beneficiary Payments	(934,951)			
<b>Net change in total OPEB liability</b>	<b>(628)</b>			
<b>Plan Fiduciary Net Position - beginning</b>	<b>250,106</b>			
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>249,478</b>			
 <b>Net OPEB Liability - ending (a-b)</b>	<b>21,471,151</b>			
 Plan Fiduciary Net Position as a percentage of the total OPEB liability	1.15%			
 <b>Covered payroll</b>	<b>11,996,837</b>	<b>11,996,837</b>	<b>11,119,693</b>	
<b>Net OPEB liability as a percentage of covered payroll</b>	<b>178.97%</b>	<b>156.74%</b>	<b>169.69%</b>	

**Notes to Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<b>Fiscal year</b>	<b>Rate</b>
2021	2.16%
2020	3.50%
2019	3.89%
2018	3.56%

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**CITY OF MORGANTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes - General Fund		\$ 10,613,721		\$ 10,356,809
Taxes - General Fund prior year		59,937		58,955
Taxes - Discount		(120,399)		(133,671)
Taxes - Main Street		135,715		127,541
Penalties, interest, and advertising		33,968		28,682
Total	10,124,177	10,722,942	598,765	10,438,316
<b>Other Taxes and Licenses:</b>				
Carbon city fire tax		11,053		10,363
Occupancy Tax		124,018		122,889
One-half cent sales tax		3,543,369		3,104,272
One cent sales tax		1,715,449		1,440,811
Total	3,716,283	5,393,889	1,677,606	4,678,335
<b>Unrestricted Intergovernmental Revenues:</b>				
Urban renewal in lieu of taxes		41,672		37,085
Section eight in lieu of taxes		2,518		2,806
Payments in lieu of taxes		466,321		454,781
Narcotics		13,896		4,499
Beer and wine		70,985		73,144
Solid Waste Disposal		12,641		12,937
Alcohol Beverage Commission		418,776		306,812
Total	875,824	1,026,809	150,985	892,064
<b>Unrestricted Intergovernmental Revenues:</b>				
Utility sales tax	1,764,169	1,710,919	53,250	1,753,974
<b>Restricted Intergovernmental Revenues:</b>				
Fire protection - state facilities		82,882		85,051
State and federal grants		405,658		643,562
Other restricted revenues		92,518		82,701
Powell bill street aid allocation		443,371		478,509
Total	936,354	1,024,429	88,075	1,289,823
<b>Permits and Fees:</b>				
Building permits		132,880		71,053
Plumbing permits		31,746		32,843
Variance/planning/zoning permits		19,173		11,130
Vehicle tag fee		276,326		261,487
Electric permits		67,304		44,054
HVAC permits		43,624		45,644
Total	467,450	571,053	103,603	466,211

**CITY OF MORGANTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Sales and Services:</b>				
Parking revenue		9,056		12,310
Reimbursement for services		20,003		44,417
Solid waste user fees		1,430,751		1,373,795
Rough trash fees		42,025		26,727
Simply Green revenue		-		-
Solid Waste late charges		11,743		8,850
Curb cuts		4,475		3,935
Civil citations		-		-
Engineering inspections		5,397		2,406
Rent		56,350		55,200
Fire protection		22,660		300
False alarm violations		22,885		24,225
Recreation revenue		389,028		341,803
Food sales and services		121,494		264,129
Bad check charges		2,000		4,259
Canteen sales		1,346		1,423
Main street revenue		37,632		26,765
Façade loan program		(3,252)		4,145
DARE program		215		-
Municipal Auditorium		30,405		206,006
Sale of surplus		86,376		153,234
Reimbursements		90,191		191,110
Total	2,609,929	2,380,780	(229,149)	2,745,039
<b>Investment Earnings</b>	106,007	26,180	(79,827)	233,237
<b>Miscellaneous:</b>				
Revolving loan principal		3,021		2,460
Revolving loan interest		1,468		1,440
Other		70,618		140,317
Total	64,793	75,107	10,314	144,217
<b>Total revenues</b>	20,664,986	22,932,108	2,373,622	22,641,216
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Legislative - city council</b>				
Salaries and employee benefits		46,355		43,328
Operating expenditures		123,741		385,363
Economic development		518,493		582,145
Pro rate administrative services		(270,594)		(394,410)
Total	434,890	417,995	16,895	616,426

## CITY OF MORGANTON, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Legal</b>				
Salaries and employee benefits		217,569		207,323
Operating expenditures		78,289		72,398
Pro rate administrative services		(220,453)		(222,487)
Total	76,454	75,405	1,049	57,234
<b>Executive</b>				
Salaries and employee benefits		523,399		495,643
Operating expenditures		87,604		50,988
Capital outlay		-		-
Pro rate administrative services		(495,857)		(446,550)
Total	123,964	115,146	8,818	100,081
<b>Human resources</b>				
Salaries and employee benefits		303,090		283,963
Operating expenditures		782,022		909,184
Capital outlay		-		-
Pro rate administrative services		(662,009)		(669,057)
Total	543,944	423,103	120,841	524,090
<b>Accounting</b>				
Salaries and employee benefits		317,205		292,326
Operating expenditures		373,539		476,583
Capital outlay		-		-
Pro rate administrative services		(572,825)		(676,443)
Total	108,812	117,919	(9,107)	92,466
<b>Main street</b>				
Salaries and employee benefits		184,249		179,080
Contracted services		258,108		507,251
Capital outlay		73,887		130,273
Total	590,140	516,244	73,896	816,604
<b>Canteen operations</b>				
Operating expenditures	-	456		886
<b>Business office/tax</b>				
Salaries and employee benefits		278,992		307,658
Operating expenditures		174,248		170,100
Capital outlay		-		-
Pro rate administrative services		(538,315)		(523,901)
Total	22,005	(85,075)	107,080	(46,143)

**CITY OF MORGANTON, NORTH CAROLINA**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2021  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Development</b>				
Salaries and employee benefits		700,595		619,872
Operating expenditures		130,652		114,882
Capital outlay		28,795		36,149
Total	945,906	860,042	85,864	770,903
<b>Municipal buildings</b>				
Operating expenditures		147,060		140,763
Capital outlay		-		29,694
Pro rata administrative services		(131,145)		(101,819)
Total	(32,978)	15,915	(48,893)	68,638
<b>Design</b>				
Salaries and employee benefits		412,307		372,017
Operating expenditures		54,542		45,554
Capital outlay		-		-
Pro rata administrative services	-	(300,334)		(295,686)
Total	227,533	166,515	61,018	121,885
<b>Public works</b>				
Salaries and employee benefits		196,053		180,369
Operating expenditures		25,835		22,211
Capital outlay		-		-
Total	229,608	221,888	7,720	202,580
<b>Cemetary and grounds</b>				
Salaries and employee benefits		577,393		544,077
Operating expenditures		99,691		86,346
Capital outlay		16,068		57,602
Total	692,652	693,152	(500)	688,025
Total general government	3,962,930	3,538,705	424,225	4,013,675
<b>Public Safety:</b>				
<b>Police, fire, and administrative operations</b>				
Salaries and employee benefits		6,656,151		6,657,736
Operating expenditures		1,077,427		1,139,093
Capital outlay		530,990		833,370
Pro rata administrative services		(19,200)		(19,200)
Total public safety	8,753,660	8,245,368	508,292	8,610,999



## CITY OF MORGANTON, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Transportation</b>				
<b>Street department</b>				
Salaries and employee benefits		952,831		914,404
Operating expenditures		128,953		149,173
Capital outlay		<u>133,054</u>		<u>228,162</u>
Total	<u>1,310,318</u>	<u>1,214,838</u>	<u>95,480</u>	<u>1,291,739</u>
<b>Powell bill</b>				
Operating expenditures		368,004		22,121
Capital outlay		<u>188,029</u>		<u>160,656</u>
Total powell bill	<u>727,595</u>	<u>556,033</u>		<u>182,777</u>
Total transportation	<u>2,037,913</u>	<u>1,770,871</u>	<u>267,042</u>	<u>1,474,516</u>
<b>Environmental Protection:</b>				
<b>Environmental protection - sanitation</b>				
Salaries and employee benefits		653,649		653,475
Operating expenditures		404,125		406,949
Capital outlay		<u>274,979</u>		<u>29,622</u>
Total environmental protection	<u>1,349,442</u>	<u>1,332,753</u>	<u>16,689</u>	<u>1,090,046</u>
<b>Cultural and Recreational:</b>				
<b>Municipal auditorium</b>				
Salaries and employee benefits		246,319		319,380
Operating expenditures		214,228		516,571
Capital outlay		-		48,275
Pro rata administrative services		-		-
Total	<u>673,476</u>	<u>460,547</u>	<u>212,929</u>	<u>884,226</u>
<b>Recreation</b>				
Salaries and employee benefits		1,634,564		1,580,888
Operating expenditures		923,995		980,729
Capital outlay		624,124		396,288
Pro rata administrative services		<u>(22,080)</u>		<u>(22,080)</u>
Total	<u>3,915,206</u>	<u>3,160,603</u>	<u>754,603</u>	<u>2,935,825</u>
<b>Community house</b>				
Salaries and employee benefits		198,508		278,067
Operating expenditures		116,916		204,913
Capital outlay		-		-
Pro rata administrative services		-		-
Total	<u>565,265</u>	<u>315,424</u>	<u>249,841</u>	<u>482,980</u>
Total cultural and recreational	<u>5,153,947</u>	<u>3,936,574</u>	<u>1,217,373</u>	<u>4,303,031</u>

## CITY OF MORGANTON, NORTH CAROLINA

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2021  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Debt Service:</b>				
Principal retirement	1,341,349	1,341,289		1,294,999
Interest expenditures	93,124	93,163		104,975
Total debt service	1,434,473	1,434,452	21	1,399,974
Total expenditures	22,692,365	20,258,723	2,433,642	20,892,241
Revenues over (under) expenditures	(2,027,379)	2,673,385	4,700,764	1,748,975
<b>Other Financing Sources (Uses):</b>				
Installment purchase debt issued	2,949,247	3,042,332	93,085	791,850
Transfers in	764,199	764,199	-	743,202
Transfers out	(2,476,447)	(2,456,447)	20,000	(851,347)
Appropriated fund balance	790,380	-	(790,380)	-
Total other financing sources (uses)	2,027,379	1,350,084	(677,295)	683,705
Net changes in fund balance	\$ -	4,023,469	\$ 4,023,469	2,432,680
<b>Fund Balance:</b>				
Beginning of year - July 1		21,109,407		18,676,726
				\$ 21,109,406

A legally budgeted Economic Development Fund is consolidated into the General Fund for reporting purposes:

Fund Balances beginning	<u>1,187,922</u>
Fund Balances ending	<u>\$ 26,320,798</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**AMERICAN RECOVERY ACT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 2,417,809	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total revenues	<u>2,417,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Economic Development				
Operating Expenditures	<u>2,417,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,417,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From wastewater fund	-	-	-	-
Appropriated fund balance	-	-	-	-
Installment financing issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CITY OF MORGANTON, NORTH CAROLINA

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Totals June 30, 2021</u>
<b>Assets:</b>			
Cash and investments	\$ -	\$ 1,369,626	\$ 1,369,626
Accounts receivable, net	3,748	-	3,748
Taxes receivable, net	-	-	-
Prepaid items	-	-	-
Restricted cash	341,340	-	341,340
Total assets	<u>\$ 345,088</u>	<u>\$ 1,369,626</u>	<u>\$ 1,714,714</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	13,325	312,245	325,570
Due to other funds	-	239,354	239,354
Unearned revenue	-	-	-
Total liabilities	<u>13,325</u>	<u>551,599</u>	<u>564,924</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	-	-	-
Prepaid taxes	-	-	-
Other receivables	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted			
Stabilization for State statute	118,527	656,169	774,696
Restricted, all other	213,236	161,858	375,094
Unassigned	-	-	-
Total fund balances	<u>331,763</u>	<u>818,027</u>	<u>1,149,790</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 345,088</u>	<u>\$ 1,369,626</u>	<u>\$ 1,714,714</u>

## CITY OF MORGANTON, NORTH CAROLINA

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Nonmajor Governmental Funds</u>		
	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Totals June 30, 2021</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ -	\$ -
Other taxes and licenses	2	-	2
Restricted intergovernmental revenues	359,438	385,000	744,438
Other restricted revenues	-	-	-
Sales and services	72,945	-	72,945
Investment earnings	864	-	864
Miscellaneous	-	66,500	66,500
Total revenues	<u>433,249</u>	<u>451,500</u>	<u>884,749</u>
<b>Expenditures:</b>			
Current:			
General government	301,092	-	301,092
Public safety	20,000	-	20,000
Transportation	-	263,412	263,412
Environmental protection	-	-	-
Economic and physical development	101,470	2,501,111	2,602,581
Cultural and recreation	-	659,911	659,911
Debt service:			
Principal repayments	-	-	-
Interest	-	-	-
Total expenditures	<u>422,562</u>	<u>3,424,434</u>	<u>3,846,996</u>
Revenues over (under) expenditures	<u>10,687</u>	<u>(2,972,934)</u>	<u>(2,962,247)</u>
<b>Other Financing Sources (Uses):</b>			
Installment financing issued	-	-	-
Transfers from:			
General Fund	-	2,476,447	2,476,447
Project Funds	-	-	-
Transfers to:			
School Capital Projects Fund	-	-	-
General Fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,476,447</u>	<u>2,476,447</u>
Net change in fund balances	10,687	(496,487)	(485,800)
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>321,076</u>	<u>1,314,514</u>	<u>1,635,590</u>
End of year - June 30	<u>\$ 331,763</u>	<u>\$ 818,027</u>	<u>\$ 1,149,790</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2021**

	<b>Nonmajor Special Revenue Funds</b>			
	<b>Building Re-Use Fund</b>	<b>Cemetary Fund</b>	<b>CDBG Entitlement Project</b>	<b>Totals June 30, 2021</b>
<b>Assets:</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	-	325	3,423	3,748
Taxes receivable, net	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Restricted cash	8,175	280,200	52,965	341,340
Total assets	<u>\$ 8,175</u>	<u>\$ 280,525</u>	<u>\$ 56,388</u>	<u>\$ 345,088</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	-	-	13,325	13,325
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,325</u>	<u>\$ 13,325</u>
<b>Fund Balances:</b>				
Non-spendable:				
Inventory	-	-	-	-
Prepays	-	-	-	-
Restricted:				
Stabilization for State statute	-	325	118,202	118,527
Restricted, all other	8,175	280,200	(75,139)	213,236
Total fund balances	<u>8,175</u>	<u>280,525</u>	<u>43,063</u>	<u>331,763</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,175</u>	<u>\$ 280,525</u>	<u>\$ 56,388</u>	<u>\$ 345,088</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Nonmajor Special Revenue Funds</b>			
	<b>Building Re-Use Fund</b>	<b>Cemetary Fund</b>	<b>CDBG Entitlement Project</b>	<b>Totals June 30, 2021</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	-	-	-	-
Other taxes and licenses	-	-	2	2
Restricted intergovernmental revenues	101,470	-	257,968	359,438
Other restricted revenues	-	-	-	-
Sales and services	-	30,075	42,870	72,945
Investment earnings	-	864	-	864
Miscellaneous	-	-	-	-
Total revenues	<u>101,470</u>	<u>30,939</u>	<u>300,840</u>	<u>433,249</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	301,092	301,092
Public safety	-	20,000	-	20,000
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Economic and physical development	101,470	-	-	101,470
Debt service:				
Principal repayments	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>101,470</u>	<u>20,000</u>	<u>301,092</u>	<u>422,562</u>
Revenues over (under) expenditures	<u>-</u>	<u>10,939</u>	<u>(252)</u>	<u>10,687</u>
<b>Other Financing Sources (Uses):</b>				
Installment financing issued	-	-	-	-
Transfers from (to):				
General Fund	-	-	-	-
Transfers to:				
General Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	10,939	(252)	10,687
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>8,175</u>	<u>269,586</u>	<u>43,315</u>	<u>321,076</u>
End of year - June 30	<u>\$ 8,175</u>	<u>\$ 280,525</u>	<u>\$ 43,063</u>	<u>\$ 331,763</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**BUILDING RE-USE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Grant Revenue	\$ -	\$ 1,942,558	\$ 101,470	\$ 2,044,028
Burke County	-	32,575	-	32,575
Other Revenues	-	-	-	-
Total revenues	-	<u>1,975,133</u>	<u>101,470</u>	<u>2,076,603</u>
<b>Expenditures:</b>				
Grant Administration	-	77,650	-	77,650
Construction	-	1,942,558	101,470	2,044,028
Total expenditures	-	<u>2,020,208</u>	<u>101,470</u>	<u>2,121,678</u>
Revenues over (under) expenditures	-	<u>(45,075)</u>	-	<u>(45,075)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	-	53,250	-	53,250
Total other financing sources (uses)	-	<u>53,250</u>	-	<u>53,250</u>
Net change in fund balance	\$ -	<u>\$ 8,175</u>	-	<u>\$ 8,175</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>8,175</u>	
End of year - June 30			<u>\$ 8,175</u>	



**CITY OF MORGANTON, NORTH CAROLINA**

**CEMETARY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**

**IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2021**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020**

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Cemetary lot sales and services	\$ 13,000	\$ 30,075	\$ 17,075	\$ 19,090
Investment income	200	864	664	1,197
Total revenues	<u>13,200</u>	<u>30,939</u>	<u>17,739</u>	<u>20,287</u>
<b>Expenditures:</b>				
Public safety	<u>33,200</u>	<u>20,000</u>	<u>13,200</u>	<u>-</u>
Total expenditures	<u>33,200</u>	<u>20,000</u>	<u>13,200</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from General Fund	-	-	-	-
Transfer to General Fund	-	-	-	-
Appropriated fund balance	<u>20,000</u>	-	<u>(20,000)</u>	-
Total other financing sources (uses)	<u>20,000</u>	-	<u>(20,000)</u>	-
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 10,939</u>	<u>\$ 10,939</u>	<u>\$ 20,287</u>
<b>Fund Balance:</b>				
Beginning of year, July 1		<u>269,586</u>		<u>249,299</u>
End of year, June 30		<u>\$ 280,525</u>		<u>\$ 269,586</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**CDBG ENTITLEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2020**

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted Intergovernmental	\$ 5,187,067	\$ 4,377,746	\$ 257,968	\$ 4,635,714
Other income	438,402	414,144	42,870	457,014
Investment earnings	-	-	2	2
Total revenues	<u>5,625,469</u>	<u>4,791,890</u>	<u>300,840</u>	<u>5,092,730</u>
<b>Expenditures:</b>				
Land Acquisition	397,573	198,123	-	198,123
Rehabilitation	466,600	525,117	-	525,117
Construction	1,534,798	1,047,234	-	1,047,234
Administration	780,167	779,908	29,840	809,748
Credit Counseling	32,253	32,253	-	32,253
Deposit Assistance	19,162	19,162	-	19,162
Grant Assistance	529,598	480,678	181,298	661,976
Interest Expense	133,109	119,500	-	119,500
Small Business Loan	992,311	797,322	90,000	887,322
Bad Debts	-	14,380	(46)	14,334
Section 108 Loan Repayment	<u>380,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Total expenditures	<u>5,265,571</u>	<u>4,388,677</u>	<u>301,092</u>	<u>4,689,769</u>
Revenues over (under) expenditures	<u>359,898</u>	<u>403,213</u>	<u>(252)</u>	<u>402,961</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	3,439	3,439	-	3,439
From Capital Reserve Fund	-	-	-	-
Transfers out:				
To Cable Fund	(16,960)	(16,960)	-	(16,960)
To Electric Fund	(8,331)	(8,331)	-	(8,331)
To Component Unit	(663,057)	(663,057)	-	(663,057)
Issuance of Debt	375,000	375,000	-	375,000
Re-payments to State	(49,989)	(49,989)	-	(49,989)
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	<u>(359,898)</u>	<u>(359,898)</u>	<u>-</u>	<u>(359,898)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 43,315</u>	<u>\$ (252)</u>	<u>\$ 43,063</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>43,315</u>	
End of year - June 30			<u>\$ 43,063</u>	

## CITY OF MORGANTON, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS  
JUNE 30, 2021

	<u>Nonmajor Capital Project Funds</u>					
	<u>Soccer Complex Capital Project Fund</u>	<u>Greenway Connector Capital Project Fund</u>	<u>105 Connector Capital Project Fund</u>	<u>College Street Capital Project Fund</u>	<u>Courthouse Capital Project Fund</u>	<u>Totals June 30, 2021</u>
<b>Assets:</b>						
Cash and investments	\$ 290	\$ -	\$ 47,578	\$ 510,855	\$ 810,903	\$ 1,369,626
Accounts receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Restricted cash	-	-	-	-	-	-
Total assets	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 47,578</u>	<u>\$ 510,855</u>	<u>\$ 810,903</u>	<u>\$ 1,369,626</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ -	\$ 84,030	\$ -	\$ -	\$ 228,215	\$ 312,245
Due from other funds	-	239,354	-	-	-	239,354
Deferred revenues	-	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ 323,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,215</u>	<u>\$ 551,599</u>
<b>Fund Balances:</b>						
Non-spendable						
Stabilization for State statute	-	57,996	-	34,604	563,569	656,169
Restricted, all other	290	(381,380)	47,578	476,251	19,119	161,858
Unassigned	-	-	-	-	-	-
Total fund balances	<u>290</u>	<u>(323,384)</u>	<u>47,578</u>	<u>510,855</u>	<u>582,688</u>	<u>818,027</u>
Total liabilities and fund balances	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 47,578</u>	<u>\$ 510,855</u>	<u>\$ 810,903</u>	<u>\$ 1,369,626</u>

## CITY OF MORGANTON, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Nonmajor Capital Projects Fund</u>					<u>Totals June 30, 2021</u>
	<u>Soccer Complex Capital Project Fund</u>	<u>Greenway Connector Capital Project Fund</u>	<u>Exit 105 Connector Capital Project Fund</u>	<u>College Street Capital Project Fund</u>	<u>Courthouse Capital Project Fund</u>	
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-	-	-
Restricted intergovernmental revenues	385,000	-	-	-	-	385,000
Restricted local revenues	-	-	-	-	-	-
Unrestricted intergovernmental revenues	-	-	-	-	-	-
Sales and services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	-	66,500	66,500
Total revenues	<u>385,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,500</u>	<u>451,500</u>
<b>Expenditures:</b>						
Current:						
Transportation	-	-	111,966	151,446	-	263,412
Economic and physical development	-	633,852	-	-	1,867,259	2,501,111
Cultural and recreation	659,911	-	-	-	-	659,911
Total expenditures	<u>659,911</u>	<u>633,852</u>	<u>111,966</u>	<u>151,446</u>	<u>1,867,259</u>	<u>3,424,434</u>
Revenues over (under) expenditures	<u>(274,911)</u>	<u>(633,852)</u>	<u>(111,966)</u>	<u>(151,446)</u>	<u>(1,800,759)</u>	<u>(2,972,934)</u>
<b>Other Financing Sources (Uses):</b>						
Installment financing issued	-	-	-	-	-	-
Transfers from:						
General Fund	93,000	-	-	-	2,383,447	2,476,447
Transfers to:						
General Fund	-	-	-	-	-	-
Total other financing sources (uses)	<u>93,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,383,447</u>	<u>2,476,447</u>
Net change in fund balances	<u>(181,911)</u>	<u>(633,852)</u>	<u>(111,966)</u>	<u>(151,446)</u>	<u>582,688</u>	<u>(496,487)</u>
<b>Fund Balances:</b>						
Beginning of year - July 1	<u>182,201</u>	<u>310,468</u>	<u>159,544</u>	<u>662,301</u>	<u>-</u>	<u>1,314,514</u>
End of year - June 30	<u>\$ 290</u>	<u>\$ (323,384)</u>	<u>\$ 47,578</u>	<u>\$ 510,855</u>	<u>\$ 582,688</u>	<u>\$ 818,027</u>

## CITY OF MORGANTON, NORTH CAROLINA

### SOCCER COMPLEX CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project Authorization	Actual		
		Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted State Intergovernmental	\$ 385,000	\$ -	\$ 385,000	\$ 385,000
Restricted Local Grants	575,000	505,000	-	505,000
Other Revenues	64,210	-	-	-
Total revenues	<u>1,024,210</u>	<u>505,000</u>	<u>385,000</u>	<u>890,000</u>
<b>Expenditures:</b>				
Capital outlay:				
Construction	<u>2,293,468</u>	<u>805,095</u>	<u>659,911</u>	<u>1,465,006</u>
Total expenditures	<u>2,293,468</u>	<u>805,095</u>	<u>659,911</u>	<u>1,465,006</u>
Revenues over (under) expenditures	<u>(1,269,258)</u>	<u>(300,095)</u>	<u>(274,911)</u>	<u>(575,006)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	575,296	482,296	93,000	575,296
From Capital Reserve Fund	-	-	-	-
Transfers out:				
To Capital Reserve Fund	-	-	-	-
Appropriated fund balance	<u>693,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,269,258</u>	<u>482,296</u>	<u>93,000</u>	<u>575,296</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 182,201</u>	<u>(181,911)</u>	<u>\$ 290</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>182,201</u>	
End of year - June 30			<u>\$ 290</u>	

**CITY OF MORGANTON, NORTH CAROLINA**

**GREENWAY CONNECTOR CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
ARC Grant	\$ 1,335,000	\$ 36,514	\$ -	\$ 36,514
Local Revenues	-	-	-	-
Total revenues	1,335,000	36,514	-	36,514
<b>Expenditures:</b>				
Capital outlay:				
Professional Services	-	-	-	-
Construction	1,674,886	59,796	633,852	693,648
Total expenditures	1,674,886	59,796	633,852	693,648
Revenues over (under) expenditures	(339,886)	(23,282)	(633,852)	(657,134)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	333,750	333,750	-	333,750
Transfers out:				
To Capital Reserve Fund	-	-	-	-
Appropriated fund balance	6,136	-	-	-
Total other financing sources (uses)	339,886	333,750	-	333,750
Net change in fund balance	\$ -	\$ 310,468	\$ (633,852)	\$ (323,384)
<b>Fund Balance:</b>				
Beginning of year - July 1			310,468	
End of year - June 30			\$ (323,384)	

**CITY OF MORGANTON, NORTH CAROLINA**

**EXIT 105 ROAD CONNECTOR CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
ARC Grant	\$ 1,375,000	\$ 1,314,660	\$ -	\$ 1,314,660
Local Revenues	-	-	-	-
Total revenues	<u>1,375,000</u>	<u>1,314,660</u>	<u>-</u>	<u>1,314,660</u>
<b>Expenditures:</b>				
Capital outlay:				
Professional Services	53,062	31,395	-	31,395
Construction	<u>1,609,123</u>	<u>1,296,916</u>	<u>111,966</u>	<u>1,408,882</u>
Total expenditures	<u>1,662,185</u>	<u>1,328,311</u>	<u>111,966</u>	<u>1,440,277</u>
Revenues over (under) expenditures	<u>(287,185)</u>	<u>(13,651)</u>	<u>(111,966)</u>	<u>(125,617)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	287,185	173,195	-	173,195
Transfers out:				
To Capital Reserve Fund	-	-	-	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>287,185</u>	<u>173,195</u>	<u>-</u>	<u>173,195</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 159,544</u>	<u>\$ (111,966)</u>	<u>\$ 47,578</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>159,544</u>	
End of year - June 30			<u>\$ 47,578</u>	

## CITY OF MORGANTON, NORTH CAROLINA

### COLLEGE STREET CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
ARC Grant	\$ 2,649,699	\$ -	\$ -	\$ -
Local Revenues	-	-	-	-
Total revenues	<u>2,649,699</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Capital outlay:				
Professional Services	-	-	-	-
Construction	<u>3,312,000</u>	<u>-</u>	<u>151,446</u>	<u>151,446</u>
Total expenditures	<u>3,312,000</u>	<u>-</u>	<u>151,446</u>	<u>151,446</u>
Revenues over (under) expenditures	<u>(662,301)</u>	<u>-</u>	<u>(151,446)</u>	<u>(151,446)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	662,301	662,301	-	662,301
Transfers out:				
To Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>662,301</u>	<u>662,301</u>	<u>-</u>	<u>662,301</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 662,301</u>	<u>\$ (151,446)</u>	<u>\$ 510,855</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>662,301</u>	
End of year - June 30			<u>\$ 510,855</u>	



## CITY OF MORGANTON, NORTH CAROLINA

### COURTHOUSE CAPITAL PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous income	55,146	-	66,500	66,500
Investment earnings	-	-	-	-
Total revenues	<u>55,146</u>	<u>-</u>	<u>66,500</u>	<u>66,500</u>
<b>Expenditures:</b>				
Economic Development				
Construction	<u>2,321,960</u>	<u>-</u>	<u>1,867,259</u>	<u>1,867,259</u>
Total expenditures	<u>2,321,960</u>	<u>-</u>	<u>1,867,259</u>	<u>1,867,259</u>
Revenues over (under) expenditures	<u>(2,266,814)</u>	<u>-</u>	<u>(1,800,759)</u>	<u>(1,800,759)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	2,266,814	-	2,383,447	2,383,447
Appropriated fund balance	-	-	-	-
Installment financing issued	-	-	-	-
Total other financing sources (uses)	<u>2,266,814</u>	<u>-</u>	<u>2,383,447</u>	<u>2,383,447</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,688</u>	<u>\$ 582,688</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ 582,688</u>	

## CITY OF MORGANTON, NORTH CAROLINA

## WATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,920,794	\$ 5,952,318	\$ 31,524	\$ 5,940,206
Non-operating revenues:				
ARC Grant	-	-	-	34,612
Sale of capital asset	4,000	-	(4,000)	12,071
Interest income	40,000	2,994	(37,006)	96,021
Total revenues	5,964,794	5,955,312	(9,482)	6,082,910
<b>Expenditures:</b>				
Salaries and employee benefits	1,729,440	1,543,590	185,850	1,581,980
Other operating expenditures	2,866,338	2,364,501	501,837	2,756,283
Capital outlay	1,480,804	762,864	717,940	982,277
Total expenditures	6,076,582	4,670,955	1,405,627	5,320,540
<b>Debt Service:</b>				
Interest paid	7,154	3,765	3,389	7,301
Principal retirement	232,306	232,306	-	232,306
Total debt service	239,460	236,071	3,389	239,607
Revenue over (under) expenditures	(351,248)	1,048,286	1,399,534	522,763
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(100,000)	(100,000)	-	-
Debt issuance	-	-	-	-
Appropriated retained earnings	451,248	-	(451,248)	-
Total other financing sources (uses)	351,248	(100,000)	(451,248)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 948,286	\$ 948,286	\$ 522,763

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

## Reconciling items:

Capital outlay, capitalized	762,864
Debt principal	232,306
Change in accrued vacation	(11,983)
Intrafund Project Transfer	100,000
Decrease in deferred outflows of resources - OPEB	(18,036)
Decrease in deferred inflows of resources -OPEB	25,458
Increase in OPEB liability	(213,366)
Increase in deferred outflows of resources - pensions	56,041
Decrease in deferred inflows of resources - pensions	2,943
Increase in net pension liability	(138,058)
Depreciation	(1,094,268)
Total reconciling items	(296,099)
Change in net position	\$ 652,187

**CITY OF MORGANTON, NORTH CAROLINA**

**WATER FUND CAPITAL PROJECT FUND - COURTHOUSE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Capital outlay:				
Construction	100,000	-	83,878	83,878
Total expenditures	100,000	-	83,878	83,878
Revenues over (under) expenditures	(100,000)	-	(83,878)	(83,878)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Water Fund	100,000	-	100,000	100,000
Appropriated fund balance	-	-	-	-
Installment financing issued	-	-	-	-
Total other financing sources (uses)	100,000	-	100,000	100,000
Net change in fund balance	\$ -	\$ -	\$ 16,122	\$ 16,122
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			\$ 16,122	

## CITY OF MORGANTON, NORTH CAROLINA

## ELECTRIC FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		2020	
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 29,382,218	\$ 29,547,080	\$ 164,862	\$ 30,050,312
Non-operating revenues:				
ARC Grant	-	-	-	49,826
Other grants	6,034,000	6,248,588	214,588	4,834,098
Sale of capital asset	-	-	-	-
Miscellaneous income	38,500	12,055	(26,445)	48,656
Interest income	47,000	(675)	(47,675)	125,141
Total revenues	<u>35,501,718</u>	<u>35,807,048</u>	<u>305,330</u>	<u>35,108,033</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,644,559	1,525,297	119,262	1,566,009
Other operating expenditures	27,444,191	25,248,650	2,195,541	25,534,529
Capital outlay	6,034,186	1,958,736	4,075,450	1,033,341
Total expenditures	<u>35,122,936</u>	<u>28,732,683</u>	<u>6,390,253</u>	<u>28,133,879</u>
<b>Debt Service:</b>				
Interest paid	4,136	4,142	(6)	6,460
Principal retirement	110,583	110,625	(42)	159,151
Total debt service	<u>114,719</u>	<u>114,767</u>	<u>(48)</u>	<u>165,611</u>
Revenue over (under) expenditures	<u>264,063</u>	<u>6,959,598</u>	<u>6,695,535</u>	<u>6,808,543</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(1,285,743)	(1,285,743)	-	(743,202)
Debt issuance	521,544	521,544	-	-
Appropriated retained earnings	500,136	-	(500,136)	-
Total other financing sources (uses)	<u>(264,063)</u>	<u>(764,199)</u>	<u>(500,136)</u>	<u>(743,202)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 6,195,399</u>	<u>\$ 6,195,399</u>	<u>\$ 6,065,341</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital outlay, capitalized		1,940,723		
Debt principal		110,625		
Change in accrued vacation		(11,848)		
Proceeds from issuance of debt		(521,544)		
Intrafund Project Transfer		521,544		
Decrease in deferred outflows of resources - OPEB		(20,291)		
Decrease in deferred inflows of resources -OPEB		28,640		
Increase in OPEB liability		(240,034)		
Increase in deferred outflows of resources - pensions		63,045		
Decrease in deferred inflows of resources - pensions		3,311		
Increase in net pension liability		(155,315)		
Depreciation		(985,851)		
Total reconciling items		<u>733,005</u>		
Change in net position		<u>\$ 6,928,404</u>		

**CITY OF MORGANTON, NORTH CAROLINA**

**ELECTRIC FUND CAPITAL PROJECT FUND - COURTHOUSE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Capital outlay:				
Construction	521,544	-	509,615	509,615
Total expenditures	521,544	-	509,615	509,615
Revenues over (under) expenditures	(521,544)	-	(509,615)	(509,615)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Electric Fund	521,544	-	521,544	521,544
Appropriated fund balance	-	-	-	-
Installment financing issued	-	-	-	-
Total other financing sources (uses)	521,544	-	521,544	521,544
Net change in fund balance	\$ -	\$ -	\$ 11,929	\$ 11,929
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			\$ 11,929	

## CITY OF MORGANTON, NORTH CAROLINA

## WASTEWATER FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,794,000	\$ 5,937,772	\$ 143,772	\$ 5,797,237
Non-operating revenues:				
ARC Grant	-	-	-	42,779
Sale of capital asset	-	-	-	-
Miscellaneous income	46,756	44,958	(1,798)	42,440
Interest income	25,000	10,085	(14,915)	69,178
Total revenues	<u>5,865,756</u>	<u>5,992,815</u>	<u>127,059</u>	<u>5,951,634</u>
<b>Expenditures:</b>				
Salaries and employee benefits	1,082,167	1,091,618	(9,451)	1,195,565
Other operating expenditures	1,714,638	1,365,819	348,819	1,437,729
Capital outlay	1,448,274	635,140	813,134	746,594
Total expenditures	<u>4,245,079</u>	<u>3,092,577</u>	<u>1,152,502</u>	<u>3,379,888</u>
<b>Debt Service:</b>				
Interest paid	332,704	326,911	5,793	366,745
Principal retirement	1,603,214	1,603,496	(282)	1,644,401
Total debt service	<u>1,935,918</u>	<u>1,930,407</u>	<u>5,511</u>	<u>2,011,146</u>
Revenue over (under) expenditures	<u>(315,241)</u>	<u>969,831</u>	<u>1,285,072</u>	<u>560,600</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	16,228
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Appropriated retained earnings	315,241	-	(315,241)	-
Total other financing sources (uses)	<u>315,241</u>	<u>-</u>	<u>(315,241)</u>	<u>16,228</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 969,831</u>	<u>\$ 969,831</u>	<u>\$ 576,828</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

## Reconciling items:

Capital outlay, capitalized	635,140
Debt principal	1,603,496
Change in accrued vacation	(420)
Decrease in deferred outflows of resources - OPEB	(20,684)
Decrease in deferred inflows of resources -OPEB	25,458
Decrease in OPEB liability	(213,366)
Increase in deferred outflows of resources - pensions	56,041
Decrease in deferred inflows of resources - pensions	2,943
Increase in net pension liability	(138,058)
Depreciation	<u>(1,620,962)</u>
Total reconciling items	<u>329,588</u>
Change in net position	<u>\$ 1,299,419</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**WASTEWATER ENTERPRISE FUND CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2021**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Capital outlay:				
Construction	-	-	-	-
Total expenditures	-	-	-	-
Revenues over (under) expenditures	-	-	-	-
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From wastewater fund	-	-	-	-
Appropriated fund balance	-	-	-	-
Installment financing issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

## CITY OF MORGANTON, NORTH CAROLINA

## CABLE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		2020	
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 5,329,440	\$ 5,886,016	\$ 556,576	\$ 5,419,225
Non-operating revenues:				
ARC Grant	-	-	-	-
Restricted intergovernmental revenue	127,316	127,316	-	-
Sale of capital asset	-	-	-	-
Miscellaneous income	106,100	111,465	5,365	100,948
Interest income	-	13	13	3
Total revenues	<u>5,562,856</u>	<u>6,124,810</u>	<u>561,954</u>	<u>5,520,176</u>
<b>Expenditures:</b>				
Salaries and employee benefits	979,589	972,118	7,471	870,509
Other operating expenditures	3,968,052	3,514,245	453,807	3,750,114
Capital outlay	934,050	590,185	343,865	579,637
Total expenditures	<u>5,881,691</u>	<u>5,076,548</u>	<u>805,143</u>	<u>5,200,260</u>
<b>Debt Service:</b>				
Interest paid	3,813	4,584	(771)	3,779
Principal retirement	59,960	59,993	(33)	36,269
Total debt service	<u>63,773</u>	<u>64,577</u>	<u>(804)</u>	<u>40,048</u>
Revenue over (under) expenditures	<u>(382,608)</u>	<u>983,685</u>	<u>1,366,293</u>	<u>279,868</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	66,000	60,226	(5,774)	106,544
Appropriated retained earnings	316,608	-	(316,608)	-
Total other financing sources (uses)	<u>382,608</u>	<u>60,226</u>	<u>(322,382)</u>	<u>106,544</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,043,911</u>	<u>\$ 1,043,911</u>	<u>\$ 386,412</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital outlay, capitalized		590,185		
Debt principal		59,993		
Change in accrued vacation		(3,137)		
Proceeds from issuance of debt		(60,226)		
Decrease in deferred outflows of resources - OPEB		(7,756)		
Decrease in deferred inflows of resources -OPEB		9,546		
Increase in OPEB liability		(72,893)		
Increase in deferred outflows of resources - pensions		21,015		
Decrease in deferred inflows of resources - pensions		1,104		
Increase in net pension liability		(51,772)		
Depreciation		(408,477)		
Total reconciling items		<u>77,582</u>		
Change in net position		<u>\$ 1,121,493</u>		



## CITY OF MORGANTON, NORTH CAROLINA

## INTERNAL SERVICE FUND

## SCHEDULE OF REVENUES AND EXPENDITURES

## BUDGET AND ACTUAL (NON-GAAP)

## FOR THE YEAR ENDED JUNE 30, 2021

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2020

	2021		Variance Over/Under	2020
	Budget	Actual		Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 2,233,079	\$ 2,124,044	\$ (109,035)	\$ 2,124,831
Non-operating revenues:				
ARC Grant	-	-	-	-
Restricted intergovernmental revenue	-	-	-	-
Sale of capital asset	-	-	-	-
Miscellaneous income	-	5,679	5,679	301
Interest income	-	-	-	-
Total revenues	<u>2,233,079</u>	<u>2,129,723</u>	<u>(103,356)</u>	<u>2,125,132</u>
<b>Expenditures:</b>				
Salaries and employee benefits	813,760	794,260	19,500	743,334
Other operating expenditures	1,482,850	1,001,336	481,514	1,063,364
Capital outlay	154,152	120,651	33,501	229,605
Total expenditures	<u>2,450,762</u>	<u>1,916,247</u>	<u>534,515</u>	<u>2,036,303</u>
<b>Debt Service:</b>				
Interest paid	-	-	-	-
Principal retirement	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) expenditures	<u>(217,683)</u>	<u>213,476</u>	<u>431,159</u>	<u>88,829</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Debt issuance	-	-	-	-
Appropriated retained earnings	217,683	-	(217,683)	-
Total other financing sources (uses)	<u>217,683</u>	<u>-</u>	<u>(217,683)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 213,476</u>	<u>\$ 213,476</u>	<u>\$ 88,829</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021		\$ 11,024,216	\$ 10,744,512	\$ 279,704
2019-2020	199,170	-	39,211	159,959
2018-2019	107,563	-	12,094	95,469
2017-2018	64,514	-	3,515	60,999
2016-2017	25,441	-	2,029	23,412
2015-2016	16,909	-	940	15,969
2014-2015	11,778	-	128	11,650
2013-2014	16,130	-	115	16,015
2012-2013	12,345	-	55	12,290
2011-2012	8,540	-	432	8,108
2010-2011	8,258	-	8,258	-
Total	<u>\$ 470,648</u>	<u>\$ 11,024,216</u>	<u>\$ 10,811,289</u>	<u>\$ 683,575</u>
Less: allowance for uncollectible accounts: General Fund				<u>(403,872)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 279,703</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 10,722,942
Reconciling items:				
Interest				(33,968)
Discounts				120,399
Other miscellaneous adjustments				(6,343)
Incentivized paybacks				
Amounts written off per Statute of Limitations				<u>8,258</u>
Total collections and credits				<u>\$ 10,811,288</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2021**

	City-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
City-wide	\$ 1,718,508,645	0.57	\$ 9,879,432	\$ 9,879,432	
Special district	93,987,180	0.14	131,743	131,743	
Vehicle Taxes	139,992,982	0.57	797,960	-	797,960
Total	<u>1,952,488,807</u>		<u>10,809,135</u>	<u>10,011,175</u>	<u>797,960</u>
<b>Discoveries:</b>					
Current year City-wide	37,054,714	0.57	211,212	211,212	
Current year Special district	<u>6,426,429</u>	0.14	<u>8,997</u>	<u>8,997</u>	
LESS RELEASES			(5,128)	(5,128)	
Total	<u>43,481,143</u>		<u>215,081</u>	<u>215,081</u>	<u>-</u>
Total property valuation	<u>\$ 1,995,969,950</u>				
<b>Net Levy</b>			<u>\$ 11,024,216</u>	<u>\$ 10,226,256</u>	<u>\$ 797,960</u>
Uncollected taxes at June 30, 2021			<u>(279,704)</u>	<u>(279,704)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 10,744,512</u>	<u>\$ 9,946,552</u>	<u>\$ 797,960</u>
<b>Current Levy Collection Percentage</b>			<u>97.46%</u>	<u>97.26%</u>	<u>100.00%</u>

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF TRANSFERS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Transfers From</b>	<b>Transfers To</b>
General Fund :		
From Electric Fund	\$ 764,199	
To Capital Projects Funds		\$ 2,456,447
	<u>764,199</u>	<u>2,456,447</u>
Capital Projects Funds:		
From General Fund	2,456,447	
From Electric Fund	521,544	
From Water Fund	100,000	
	<u>3,077,991</u>	
Electric Fund :		
To General Fund		764,199
To Capital Projects Fund		521,544
		<u>1,285,743</u>
Water Fund :		
To Capital Projects Fund		100,000
		<u>100,000</u>
Grand Totals	<u>\$3,842,190</u>	<u>\$3,842,190</u>

## CITY OF MORGANTON, NORTH CAROLINA

### SCHEDULE OF CASH AND INVESTMENT BALANCES FOR THE YEAR ENDED JUNE 30, 2021

	<u>Carrying Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
CASH :			
On hand	\$7,530	\$7,530	\$7,530
In time deposits - NOW, SuperNOW, money market and certificates of deposit	<u>13,883,683</u>	<u>13,883,683</u>	<u>13,883,683</u>
Total cash	<u>13,891,213</u>	<u>13,891,213</u>	<u>13,891,213</u>
INVESTMENTS :			
North Carolina Capital Management Trust	14,902,360	14,902,360	14,902,360
Commercial paper	12,987,145	12,987,145	12,987,145
US Government agencies	<u>30,922,594</u>	<u>30,995,810</u>	<u>30,922,594</u>
Total investments (including cash equivalents)	<u>58,812,099</u>	<u>58,885,315</u>	<u>58,812,099</u>
 TOTAL CASH AND INVESTMENTS	 <u><u>\$72,703,312</u></u>	 <u><u>\$72,776,528</u></u>	 <u><u>\$72,703,312</u></u>



CITY OF MORGANTON

STATISTICAL SECTION

JUNE 30, 2021

This part of the City of Morganton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government's overall financial health

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being has changed over time.	124-133
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	134-137
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	138-141
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	142-143
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	144-148

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF MORGANTON  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015
Governmental activities				
Invested in capital assets, net of related debt	\$33,673,160	\$31,808,471	\$30,490,395	\$31,287,687
Restricted	6,255,232	7,590,604	6,480,008	6,222,219
Unrestricted	4,219,343	3,471,229	4,749,144	4,765,778
Total governmental activities net assets	44,147,735	42,870,304	41,719,547	42,275,684
Business-type activities				
Invested in capital assets, net of related debt	50,371,775	51,986,555	54,455,902	54,912,799
Unrestricted	16,813,565	17,958,568	17,348,180	17,095,160
Total business-type activities net assets	67,185,340	69,945,123	71,804,082	72,007,959
Primary government				
Net investment in capital assets	84,044,935	83,795,026	84,946,297	86,200,486
Restricted	10,474,575	7,695,753	6,480,008	6,222,219
Unrestricted	16,813,565	21,324,648	22,097,324	21,860,938
Total primary government net assets	\$111,333,075	\$112,815,427	\$113,523,629	\$114,283,643



Fiscal Year					
2016	2017	2018	2019	2020	2021
\$29,363,037	\$27,910,238	\$28,863,885	\$28,528,025	27,614,287	27,734,431
7,896,819	3,953,135	4,592,854	5,829,361	4,897,224	6,004,690
6,086,449	10,407,024	(1,626,323)	(1,052,265)	2,291,152	1,884,374
43,346,305	42,270,397	31,830,416	33,305,121	34,802,663	35,623,495
56,570,906	47,303,662	52,462,517	58,037,817	59,268,805	61,102,293
17,207,118	27,428,041	19,724,290	19,708,976	27,350,666	34,763,874
73,778,024	74,731,703	72,186,807	77,746,793	86,619,471	95,866,167
85,933,943	75,213,900	81,326,402	86,565,842	86,883,092	88,836,724
7,896,819	3,953,135	4,592,854	5,829,361	4,897,224	6,004,690
23,293,567	37835065	18,097,967	18,656,711	29,641,818	36,648,248
\$117,124,329	\$117,002,100	\$104,017,223	\$111,051,914	\$121,422,134	\$131,489,662

CITY OF MORGANTON  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2012	2013	2014	2015
Expenses:				
Governmental activities:				
General government	\$3,982,814	\$3,912,009	\$3,440,468	\$1,849,269
Public Safety	7,331,704	7,416,835	7,660,604	7,852,782
Transportation	2,396,894	2,277,238	2,576,293	2,312,432
Economic and physical development	200,710	119,035	136,785	141,751
Environmental protection	1,105,025	1,155,375	1,047,375	1,097,467
Culture and recreation	4,680,010	4,724,850	4,811,792	5,455,971
Interest on long-term debt	132,767	127,653	122,825	124,446
Total governmental activities expenses	<u>19,829,924</u>	<u>19,732,995</u>	<u>19,796,142</u>	<u>18,834,118</u>
Business-type activities:				
Water	4,626,908	4,803,191	4,949,707	5,070,715
Wastewater	3,465,124	3,723,556	4,091,744	4,280,212
Electric	30,455,928	32,061,280	33,682,364	34,719,580
Cable	4,201,231	4,433,307	4,472,432	4,347,245
Community house				
Total business-type activities expenses	<u>42,749,191</u>	<u>45,021,334</u>	<u>47,196,247</u>	<u>48,417,752</u>
Total primary government expenses	<u>62,579,115</u>	<u>64,754,329</u>	<u>66,992,389</u>	<u>67,251,870</u>
Program Revenues:				
Governmental activities:				
Charges for services:				
General government	474,238	561,709	624,519	817,679
Public Safety	38,273	33,898	38,499	49,396
Transportation			7,557	3,240
Economic and physical development			125,549	155,545
Environmental protection	1,085,405	1,211,551	1,189,156	1,183,901
Culture and recreation	988,922	1,032,610	1,101,543	1,075,183
Operating Grants and Contributions	797,030	716,426	843,004	720,271
Capital Grants and Contributions	775,628	863,938		945,182
Total governmental activities program rev's	<u>4,159,496</u>	<u>4,420,132</u>	<u>3,929,827</u>	<u>4,950,397</u>
Business-type activities:				
Charges for services:				
Water	4,854,787	5,020,919	5,480,781	5,629,436
Wastewater	4,891,791	4,988,894	5,045,826	4,980,346
Electric	30,854,838	32,808,535	34,537,320	34,615,760
Cable	4,115,024	4,259,270	4,128,586	4,147,511
Community house				
Operating Grants and Contributions				
Total business-type activities program rev's	<u>44,716,440</u>	<u>47,077,618</u>	<u>49,192,513</u>	<u>49,373,053</u>
Total primary government program rev's	<u>\$48,875,936</u>	<u>\$51,497,750</u>	<u>\$53,122,340</u>	<u>\$54,323,450</u>

2016	2017	2018	2019	2020	2021
\$3,343,228	\$3,222,746	\$3,419,322	\$3,765,610	\$4,184,168	\$6,344,651
6,651,717	7,582,613	7,998,165	7,984,756	9,469,238	9,501,719
2,730,653	2,497,040	2,548,502	2,402,144	1,139,565	1,880,894
285,783	165,678	358,863	1,881,166	1,863,906	3,403,176
1,046,082	1,209,929	1,217,912	1,167,597	1,072,872	150,853
5,186,423	4,992,109	5,082,336	5,223,557	6,156,414	5,301,692
138,427	119,363	136,483	113,873	109,467	93,164
19,382,313	19,789,478	20,761,583	22,538,703	23,995,630	26,676,149
5,029,465	5,195,893	5,254,922	5,485,837	5,436,736	5,303,125
4,425,170	4,397,099	4,592,059	4,503,240	4,603,843	4,693,396
32,438,473	32,176,623	31,446,910	28,886,865	28,012,699	28,114,445
4,417,630	4,375,105	4,585,347	4,766,223	4,987,761	5,003,317
46,310,738	46,144,720	45,879,238	43,642,165	43,041,039	43,114,283
65,693,051	65,934,198	66,640,821	66,180,868	67,036,669	69,790,432
532,812	568,422	333,057	233,441	782,266	5,474,147
61,180		21,346	30,300	35,655	64,718
1,120					
			31,124	1,409,372	1,624,179
1,188,228	1,210,766	1,358,022	1,378,189	811,938	
1,058,685	1,139,879	1,226,015	1,239,449		540,927
1,455,215	1,550,179	979,262	2,407,803	749,741	1,656,870
129,196	159,558	320,312	193,198	2,466,301	443,371
4,426,436	4,628,804	4,238,014	5,513,504	6,255,273	9,804,212
5,776,164	5,612,687	5,677,093	6,015,683	5,940,206	5,952,318
5,309,234	4,753,049	5,602,873	6,045,492	5,797,237	5,937,772
33,452,210	32,767,824	31,923,645	31,910,830	30,050,312	29,547,080
4,239,367	4,345,190	4,790,391	5,059,543	5,419,225	5,886,016
				4,961,315	6,375,904
48,776,975	47,478,750	47,994,002	49,031,548	52,168,295	53,699,090
\$53,203,411	\$52,107,554	\$52,232,016	\$54,545,052	\$58,423,568	\$63,503,302

	Fiscal Year			
	2012	2013	2014	2015
Net (Expense)/Revenue:				
Governmental activities	(\$15,670,428)	(\$15,312,863)	(\$15,866,315)	(\$13,883,721)
Business-type activities	1,967,249	2,056,284	1,996,266	955,301
Total primary government net expense	<u>(13,703,179)</u>	<u>(13,256,579)</u>	<u>(13,870,049)</u>	<u>(12,928,420)</u>
General Revenues and Other				
Changes in Net Position:				
Governmental activities:				
Ad valorem taxes	7,623,645	7,944,516	8,746,988	9,021,003
Occupancy tax				79,879
Privilege license tax				190,977
Carbon City fire tax				9,164
Sales tax				3,275,403
Other taxes	3,517,569	3,460,242	3,339,080	
Unrestricted intergovernmental revenues	1,751,859	1,737,882	1,796,345	2,064,379
Restricted intergovernmental revenues				
Investment earnings	21,939	32,542	20,640	32,694
Other revenues		64,550	130,903	291,330
Change in reserve for prepaid insurance				
Permits				
Transfers	786,808	795,700	681,602	642,442
Total governmental activities	<u>13,701,820</u>	<u>14,035,432</u>	<u>14,715,558</u>	<u>15,607,271</u>
Business-type activities:				
Investment earnings	31,769	46,163	34,987	37,703
Other revenues	220,063	215,785	509,308	307,310
Transfers	(786,808)	(795,700)	(681,602)	(642,442)
Total business-type activities	<u>(534,976)</u>	<u>(533,752)</u>	<u>(137,307)</u>	<u>(297,429)</u>
Total primary government	<u>13,166,844</u>	<u>13,501,680</u>	<u>14,578,251</u>	<u>15,309,842</u>
Change in Net Position:				
Governmental activities	(1,968,608)	(1,277,431)	(1,150,757)	1,723,550
Business-type activities	1,432,273	1,522,532	1,858,959	657,872
Total primary government	<u>(\$536,335)</u>	<u>\$245,101</u>	<u>\$708,202</u>	<u>\$2,381,422</u>

2016	2017	2018	2019	2020	2021
(\$14,955,877)	(\$15,160,674)	(\$16,523,569)	(\$17,025,199)	(\$17,740,357)	(\$16,871,937)
2,466,237	1,334,030	2,114,764	5,389,383	9,127,256	10,584,807
(12,489,640)	(13,826,644)	(14,408,805)	(11,635,816)	(8,613,101)	(6,287,130)
9,088,863	9,045,679	8,953,681	9,712,831	10,485,983	10,799,234
91,224	110,727	110,494	131,279		
48					
9,259	9,579	9,362	10,706		
3,522,743	3,839,698	4,069,777	4,368,905	4,700,062	5,393,891
				3,062,490	2,737,728
2,527,391	2,540,423	2,597,176	2,637,488		
77,325	107,644	219,318	368,754	246,162	27,044
194,633	76,862	28,908	47,614		141,607
(152,416)					
		492,527	488,792		
667,428	688,353	704,552	733,535	743,202	784,199
16,026,498	16,418,965	17,185,795	18,499,904	19,237,899	19,883,703
92,821	87,291	147,262	575,594	290,385	12,417
228,450	220,711	215,155	328,544	198,239	168,478
(667,428)	(688,353)	(704,552)	(733,535)	(743,202)	(764,199)
(346,157)	(380,351)	(342,135)	170,603	(254,578)	(583,304)
15,680,341	16,038,614	16,843,660	18,670,507	18,983,321	19,300,399
1,070,621	1,258,291	662,226	1,474,705	1,497,542	3,011,766
2,120,080	953,679	1,772,629	5,559,986	8,872,678	10,001,503
\$3,190,701	\$2,211,970	\$2,434,855	\$7,034,691	\$10,370,220	\$13,013,269

CITY OF MORGANTON  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015
General Fund				
Reserved				
Unreserved				
Nonspendable				
Restricted	1,965,729	2,610,137	1,895,424	1,844,844
Committed	3,953,714	4,725,743	4,287,109	4,107,784
Unassigned	5,096,368	4,702,828	5,951,951	6,918,323
Total general fund	<u>11,015,811</u>	<u>12,038,708</u>	<u>12,134,484</u>	<u>12,870,951</u>
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds				
Restricted	335,789	340,959	290,480	248,802
Committed				161,800
Unassigned	13,580	18,231	6,995	
Total all other governmental funds	<u>\$349,369</u>	<u>\$359,190</u>	<u>\$297,475</u>	<u>\$410,602</u>

2016	2017	2018	2019	2020	2021
\$152,416	\$157,278	\$170,285	\$195,628	\$197,617	\$177,568
2,975,342	3,911,962	4,592,854	4,744,317	4,062,502	4,854,900
3,431,035	3,559,855	2,551,831	2,187,982	2,187,982	2,204,647
8,839,922	10,462,406	11,018,235	12,645,743	15,849,228	18,833,683
15,398,715	18,091,501	18,333,205	19,773,670	22,297,329	26,070,798
41,859	41,173	78,709	1,085,044	1,635,590	1,149,790
365,671	905,998	590,969	249,299		
\$407,530	\$947,171	\$669,678	\$1,334,343	\$1,635,590	\$1,149,790

CITY OF MORGANTON  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015
Revenues:				
Ad valorem taxes	\$7,630,208	\$7,936,870	\$8,732,981	\$9,054,942
Other taxes and licenses	3,517,569	3,460,242	3,339,080	3,555,423
Unrestricted intergovernmental revenues	1,891,276	1,957,471	2,045,038	2,487,639
Restricted intergovernmental revenues	1,528,865	1,539,846	914,592	848,220
Other restricted revenues	34,098	17,894	29,808	141,319
Permits and fees	168,538	252,293	143,282	181,362
Sales and services	2,215,061	2,410,889	2,593,452	3,256,986
Investment earnings	21,939	32,542	20,640	32,694
Other revenues	73,517	118,481	130,903	390,580
<b>Total revenues</b>	<b>17,081,071</b>	<b>17,726,528</b>	<b>17,949,776</b>	<b>19,949,165</b>
Expenditures:				
General government	3,479,442	3,709,428	3,322,629	3,171,885
Public safety	6,908,659	7,052,196	8,123,787	7,813,649
Transportation	1,230,622	1,255,466	1,546,120	1,397,533
Environmental protection	1,168,448	987,112	1,081,299	1,181,444
Cultural and recreational	3,882,803	4,010,149	4,558,063	5,668,844
Economic and physical development	200,710	119,035	136,785	141,751
Debt service				
Principal	682,564	708,746	796,859	953,035
Interest	150,661	136,978	121,928	119,111
<b>Total expenditures</b>	<b>17,703,909</b>	<b>17,979,110</b>	<b>19,687,470</b>	<b>20,447,252</b>
Other Financing Sources (Uses):				
Installment purchase issued	836,808	489,600	1,090,153	705,239
Transfers	394,540	795,700	681,602	642,442
<b>Total other financing sources (uses)</b>	<b>1,231,348</b>	<b>1,285,300</b>	<b>1,771,755</b>	<b>1,347,681</b>
<b>Net change in fund balances</b>	<b>\$608,510</b>	<b>\$1,032,718</b>	<b>\$34,061</b>	<b>\$849,594</b>
Debt service as a percentage of noncapital expenditures	4.93%	4.70%	5.34%	5.24%



Fiscal Year					
2016	2017	2018	2019	2020	2021
\$9,105,965	\$9,009,716	\$8,939,363	\$9,676,414	\$10,438,316	\$10,722,942
3,623,274	3,960,004	4,189,633	4,510,890	4,700,062	5,393,891
2,538,025	2,551,652	2,597,176	2,637,488	2,646,038	2,737,728
1,413,916	863,730	940,837	2,431,426	2,880,079	1,768,867
113,582	728,249	351,510	132,890	416,452	
137,285	398,174	492,527	488,792	466,211	571,053
2,842,025	2,598,555	2,938,441	2,912,503	2,762,590	2,453,725
77,325	107,644	219,318	368,754	246,162	27,044
103,627	105,729	36,134	84,299	144,217	141,607
19,955,024	20,323,453	20,704,939	23,243,456	24,700,127	23,816,857
3,424,337	3,070,281	3,093,337	3,200,344	4,224,087	3,839,797
7,144,444	7,259,946	8,197,966	8,255,099	8,610,999	8,265,368
1,570,530	1,588,015	1,244,199	1,735,686	1,474,516	2,034,283
1,153,858	1,230,240	1,086,274	1,262,245	1,090,046	1,332,753
5,303,790	5,501,343	5,640,957	5,042,448	5,108,126	4,596,485
306,479	165,678	358,863	1,881,166	1,502,525	2,602,581
981,041	1,389,553	1,673,751	1,302,818	1,294,999	1,341,289
111,049	119,678	149,933	111,003	104,975	93,163
19,995,528	20,324,734	21,445,280	22,790,809	23,410,273	24,105,719
1,897,768	2,545,355		918,948	791,850	3,042,332
667,428	688,353	704,552	733,535	743,202	764,199
2,565,196	3,233,708	704,552	1,652,483	1,535,052	3,806,531
\$2,524,692	\$3,232,427	(\$35,789)	\$2,105,130	\$2,824,906	\$3,537,669
6.26%	8.79%	9.73%	7.04%	7.70%	5.95%

CITY OF MORGANTON  
ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS

<u>Fiscal</u> <u>Year</u>	<u>Real</u> <u>Property</u>	<u>Personal</u> <u>Property</u>	<u>Utilities</u>	<u>Taxable</u> <u>Value*</u>	<u>Tax Rate</u>
2011-12	1,202,411,351	418,982,896	28,712,849	1,650,107,096	0.46
2012-13	1,198,554,851	423,036,719	28,996,222	1,650,587,792	0.48
2013-14	1,092,910,590	514,553,411	28,455,816	1,635,919,817	0.53
2014-15	1,037,640,097	518,358,914	28,056,258	1,584,055,269	0.53
2015-16	1,147,443,980	523,151,058	30,809,358	1,701,404,396	0.53
2016-17	1,147,677,767	518,769,207	32,210,597	1,698,657,571	0.53
2017-18	1,254,947,435	384,731,511	33,969,373	1,673,648,319	0.53
2018-19	1,158,105,495	390,925,679	34,339,211	1,583,370,385	0.57
2019-20	1,289,325,081	395,801,114	35,476,438	1,720,602,633	0.57
2020-21	1,313,991,594	417,022,275	36,953,274	1,767,967,143	0.57

Notes:

Revenue is not broken into different types of rate payers as the information is not available from Burke County in that format.

\* Taxable value equals fair market value.

CITY OF MORGANTON  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(RATE PER \$100 DOLLAR VALUATION)

<u>Fiscal Year</u>	<u>City Direct Rates</u>	<u>Overlapping Rates (*)</u>	
	<u>Basic Tax Rate</u>	<u>Special Tax District</u>	<u>Burke County</u>
2011-12	0.46	0.14	0.52
2012-13	0.48	0.14	0.52
2013-14	0.53	0.14	0.68
2014-15	0.53	0.14	0.68
2015-16	0.53	0.14	0.68
2016-17	0.53	0.14	0.68
2017-18	0.53	0.14	0.695
2018-19	0.57	0.14	0.695
2019-20	0.57	0.14	0.695
2020-21	0.57	0.14	0.695

Notes:

\* Overlapping rates are those of local and county governments that apply to property owners within the City of Morganton. Not all overlapping rates apply to all Morganton property owners; for example, although Burke County property tax rates apply to all Morganton property owners, Morganton Downtown District rates apply only to the Morganton property owners whose property is located within that district's geographical boundaries.

Components of the total direct rate are not included as individual components are not identifiable throughout the State of North Carolina.

CITY OF MORGANTON  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO

<u>Taxpayer</u>	<u>Fiscal Year 2020-2021</u>			<u>Fiscal Year 2011-2012</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Continental Teves Inc.	\$113,818,032	1	6.44%	68,242,585	1	4.09%
SGL Carbon Corp	37,848,209	2	2.14%	36,808,093	2	2.21%
ARCP MT Morganton NC	34,395,416	3	1.95%			0.00%
Leviton Manufacturing	29,748,043	4	1.68%	22,114,266	8	1.33%
Case Farms Processing	29,612,018	5	1.67%	18,825,763	6	1.13%
Seiren North America LLC	17,194,118	6	0.97%			0.00%
Wal-Mart Real Estate	15,249,369	7	0.86%			0.00%
Gerresheimer Glass Inc.	13,398,318	8	0.76%	22,957,248	4	1.38%
American Roller Bearing	14,532,290	9	0.82%			0.00%
Blue Ridge Healthcare	14,278,718	10	0.81%			0.00%
HDM Furniture Industries				17,246,650	7	1.03%
Sypris Technologies Inc				32,803,476	3	1.97%
Caterpillar Inc				16,731,949	9	1.00%
Viscotec				31,158,645	5	1.87%
Grace Properties Inc				16,107,880	10	0.97%
<b>Total</b>	<b>\$320,074,531</b>		<b>18.10%</b>	<b>\$282,996,555</b>		<b>16.96%</b>

Source:

City of Morganton Tax Division

CITY OF MORGANTON  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011-12	7,695,934	7,588,040	98.60%	97,645	7,685,685	99.87%
2012-13	8,041,336	7,907,768	98.34%	116,601	8,024,369	99.79%
2013-14	8,783,795	8,656,951	98.56%	101,057	8,758,008	99.71%
2014-15	9,118,820	9,032,717	99.06%	58,145	9,090,862	99.69%
2015-16	9,136,156	9,066,692	99.24%	39,802	9,106,494	99.68%
2016-17	9,139,021	9,035,550	98.87%	74,384	9,109,934	99.68%
2017-18	9,043,825	8,926,814	98.71%	43,481	8,970,295	99.19%
2018-19	9,845,958	9,694,510	98.46%	60,933	9,755,443	99.08%
2019-20	9,967,531	9,780,306	98.12%	58,955	9,839,261	98.71%
2020-21	11,024,216	10,744,572	97.46%	59,937	10,804,509	98.01%

Source:

City of Morganton Tax Division

Notes:

Taxes levied include general taxes, special district property taxes, and motor vehicle taxes.

CITY OF MORGANTON  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Installment Purchases	General Obligation Bonds	Installment Purchases/Loans	Notes Payable			
2009-10	0	5,019,440	5,475,000	1,493,332	0	11,987,772	2.58%	704
2010-11	0	4,522,329	4,170,000	714,560	0	9,406,889	1.98%	555
2011-12	0	4,284,305	2,895,000	2,048,835	0	9,228,140	1.88%	545
2012-13	0	4,065,159	1,572,628	2,730,646	0	8,368,433	1.65%	496
2013-14	0	4,358,453	425,000	2,888,934	10,352,110	18,024,497	3.40%	1,072
2014-15	0	4,110,656	0	2,377,767	10,348,862	16,837,285	3.16%	994
2015-16	0	5,027,383	0	1,793,828	10,107,222	16,928,433	3.08%	1,001
2016-17	0	6,183,186	0	11,267,707	10,445,104	27,895,997	4.21%	1,674
2017-18	0	4,509,435	0	10,458,709	9,807,861	24,776,005	3.64%	1,500
2018-19	0	4,125,565	0	9,462,365	9,170,618	22,758,548	3.34%	1,375
2019-20	0	3,626,908	0	8,628,563	8,049,971	20,305,441	Not available	1,225
2020-21	0	5,327,952	0	7,357,740	7,896,134	20,581,826	5.07%	1,178

## Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF MORGANTON  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	Bonded Debt Outstanding	Percentage of Assessed Value	Per Capita
2010-11	4,170,000	0.24%	246
2011-12	2,895,000	0.18%	171
2012-13	1,572,628	0.09%	93
2013-14	425,000	0.03%	25
2014-15	0	0.00%	0
2015-16	0	0.00%	0
2016-17	0	0.00%	0
2017-18	0	0.00%	0
2018-19	0	0.00%	0
2019-20	0	0.00%	0
2020-21	0	0.00%	0

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

CITY OF MORGANTON  
DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2021

<u>Governmental Unit</u>	<u>Governmental Activities Debt Outstanding</u>	<u>Percentage Applicable to the City of Morganton</u>	<u>City of Morganton's Share of Debt</u>
Burke County	\$51,900,328	27.25%	\$14,142,839
City of Morganton	<u>5,319,708</u>	100.00%	<u>5,319,708</u>
Total direct and overlapping debt	\$57,220,036		\$19,462,547

Sources:

Assessed value data used to estimate applicable percentages provided by the Burke County tax assessor. Debt outstanding provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Morganton. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and, therefore, responsible for repaying the debt - of each overlapping government. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.



CITY OF MORGANTON  
LEGAL DEBT MARGIN INFORMATION  
AS OF JUNE 30,2021

Legal Debt Margin Calculation for Fiscal Year 2020-21	
Assessed Value	\$1,995,969,950
Debt Limit 8% of Assessed Value	159,677,596
Debt Applicable to Debt Limit:	20,581,826
Legal Debt Margin	139,095,770

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2010-11	139,500,944	5,236,889	134,264,055	3.75%
2011-12	132,224,565	6,333,140	125,891,425	4.79%
2012-13	138,531,845	6,798,805	131,733,040	4.91%
2013-14	137,149,429	12,388,307	124,761,122	9.03%
2014-15	140,001,369	16,837,285	123,164,084	12.03%
2015-16	142,486,764	16,928,433	125,558,331	11.88%
2016-17	142,861,192	27,895,997	114,965,195	19.53%
2017-18	138,451,311	24,776,005	113,675,306	17.90%
2018-19	143,639,565	22,758,548	120,881,017	15.84%
2019-20	155,072,279	20,305,441	134,766,838	13.09%
2020-21	159,677,596	20,581,826	139,095,770	12.89%

CITY OF MORGANTON  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2012	16,917	492,149,364	29,092	10.9%
2013	16,861	508,173,679	30,139	10.4%
2014	16,807	530,344,885	31,555	7.5%
2015	16,932	532,646,856	31,458	6.2%
2016	16,918	550,477,884	32,538	5.0%
2017	16,665	662,583,735	39,759	4.0%
2018	16,519	680,995,775	41,225	3.9%
2019	16,555	Not available	Not available	4.3%
2020	16,577	Not available	Not available	4.3%
2021	17,474	405,728,806	23,219	4.7%

Sources:

Information provided by the U.S. Census, N.C. Office of State Planning, City of Morganton Development and Design Division, US Department of Commerce, and Bureau of Economic Analysis.

CITY OF MORGANTON  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO

<b>Employer</b>	<u>Fiscal Year 2020-2021</u>			<u>Fiscal Year 2011-2012</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Burke County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Burke County Employment</u>
State of North Carolina	3,025	1	8.00%	2,200	1	6.05%
Burke County Schools	1,500	2	3.97%	2,200	2	5.50%
Carolinas Healthcare/Blue Rid	1,386	3	3.66%	1,400	3	4.62%
Case Farms	900	4	2.38%	620	5	1.87%
Burke County	692	5	1.83%	520	6	1.32%
Leviton	615	6	1.63%	516	9	1.39%
City of Morganton	520	7	1.37%	520	7	1.33%
Continental Teves	500	8	1.32%	350	10	1.30%
Western Piedmont College	370	9	0.98%	550	8	1.51%
Viscotec Manufacturing	175	10	0.46%			
Turning Point Services				1,000	4	2.57%
<b>Total</b>	<b>9,683</b>		<b>25.60%</b>	<b>9,876</b>		<b>27.46%</b>

Sources:  
Burke Development Inc. and North Carolina Employment  
Commission Labor Market Information.

CITY OF MORGANTON  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	48	48	48	48	48	48	48	49	49	48
Public Safety	91	87	87	88	91	93	94	94	90	87
Transportation/Garage	22	22	23	23	23	23	23	23	22	22
Environmental Protection	13	13	13	13	13	13	13	13	13	11
Cultural & Recreation	22.5	19.5	25.25	26.25	26.25	27.00	28	29.50	28.50	22.75
IRMS	5	5	6	6	6	6	6	6	6	6
Electric	22	22	24	24	24	24	24	24	23	23
Cable	8	8	9	9	9	9	9	9	9	9
Water	20	20	20	20	20	20	20	20	18	19
Wastewater	21	23	22	22	22	22	22	22	22	21
Total	272.5	267.5	277.3	279.25	282.25	285.00	287.00	289.50	280.50	271.75

Source:

City Human Resource Department

Notes:

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick).

Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.



CITY OF MORGANTON  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

	Fiscal Year			
	2012	2013	2014	2015
General Government				
Building Permits Issued	631	1750	1,800	299
Building Inspections Conducted	2,077	5,200	5,250	931
Full-Time Employees	272.5	271.75	271.75	276.25
Part-Time Employees	319	365	365	360
Police				
Physical Arrests (18 & over)(annual)	1,746	1,572	1,572	1,642
Parking Violations	273	128	128	367
Sworn Officers	58	62	62	62
Civilian Employees	16	16	16	9
Reserve Officers	6	4	4	4
Number of Calls Responded	25,081	23,008	23,008	30,130
Number of Traffic Accidents	1,151	1,200	1,200	1,322
Fire Protection				
Fire Calls	441	533	533	483
Paid Fire Personnel	17	17	17	17
Volunteer Fire Personnel	12	11	11	10
Fire Inspections	632	632	640	586
Electric				
Customers	8,173	8,200	8,230	8,230
Public Works				
Refuse Collection (tons per day)	32	33.49	33.49	31.37
Recyclables Collected (tons per day)	2	1.83	1.83	1.38
Residential Collection Trucks	3	3	3	3
Water Treatment Facility				
Customers	12,509	10,342	12,108	10,040
Consumptions (billions)	3.054	2.4	2.4	2.7
Wastewater				
Customers	6,500	6,838	7,437	6,598
Average Daily Sewage Treatment million gallons daily (mgd)	4.83	5.2	5.2	4.7
Cable Television/Internet/Phone				
TV Subscribers / Customers	4,466	4,303	3,454	3,231
Basic Channels	78	78	78	78
Premium Channels	65	65	65	65
Internet Customers				
Phone Customers				

2016	2017	2018	2019	2020	2021
246	350	1845	247	278	580
4106	4,150	5,165	4,850	5,317	5,313
273	285	279.25	282.5	280.5	271.75
329	340	320	327	297	316
2,507	2,572	3,214	2,897	2,007	2,661
494	458	0	1824	1,810	2,509
70	59	56	56	55	54
10	8	8	9	9	8
2	3	4	3	1	2
40,631	42,962	40,780	38,825	36,897	35,981
1,229	1,397	1,215	1,185	1,102	1,363
2711	1,257	714	1,144	1,066	1,106
17	16	26	26	26	38
9	11	11	4	1	0
895	950	840	900	945	
8,208	8,208	8,208	8,394	8,358	8,858
33	33	33	24.93	25.73	25.18
1.35	1.35	1.35	1.16	1.24	0
3	3	3	2	2	2
10,094	10,174	10,173	10,232	10,347	10,377
2.716	2.646	2.511	2.49	2.36	2.23
6,635	6,691	6,695	6,745	6,813	6,826
4.7	4.2	5.1	6.8	5.31	3
3,007	2,767	2,582	2,487	2,202	1,663
78	78	78	78	78	78
65	65	65	65	65	65
			3,285	3,797	4,066
			802	827	823

CITY OF MORGANTON  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

	Fiscal Year				
	2012	2013	2014	2015	2016
Police					
Stations	1	1	1	1	1
Patrol Units	77	77	77	79	74
Fire Protection					
Fire Stations	3	3	3	3	3
Electric					
Miles of Service	270	270	280	280	280
Public Works					
Miles of Streets	87.88	87.88	87.88	87.88	87.88
Primary Streets	86.79	86.79	86.79	86.79	86.79
Secondary Streets	1.09	1.09	1.09	1.09	1.09
Streetlights	3,420	3,420	3,420	3,420	3,420
Traffic Signals	58	58	58	58	58
Water Treatment Facility					
Plants	1	1	1	1	1
Miles of Distribution Lines	322	328	328	331	331
Fire Hydrants	1,200	1,504	1,504	1,504	1,529
Storage Capacity (millions of gallons)	9.15	8.15	8.15	8.15	9.15
Wastewater					
Plants	1	1	1	1	1
Miles of Collection Lines	200	202	202	204	205
Cable Television					
Miles of Plant	162	165	165	165	165
Parks and Recreation					
Acreage	680	680	680	680	680
Playgrounds	9	9	9	9	9
Parks	12	12	12	12	12
Baseball Fields	15	15	15	15	15
Soccer Fields	4	4	4	5	5
Community Centers	2	2	2	2	2
Aquatic Facilities	2	2	2	2	2

Sources:

Various City Departments



2017	2018	2019	2020	2021
1	1	1	1	1
64	59	70	55	55
3	3	3	3	3
260	281	281	281	282
87.88	87.88	87.88	87.88	87.88
86.79	86.79	86.79	86.79	86.79
1.09	1.09	1.09	1.09	1.09
3,420	3,420	3,420	3,420	3,420
58	58	58	58	58
1	1	1	1	1
331	331	331	331	333
1,552	1,552	1,552	1,552	1,552
9.15	9.15	9.15	9.15	9.15
1	1	1	1	1
205	205	205	205	205
165	165	165	165	165
680	680	680	680	680
9	9	9	9	9
12	12	12	12	12
14	14	14	14	14
5	5	5	5	7
2	2	2	2	2
2	2	2	2	2



**Independent Auditor’s Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Morganton, North Carolina (the “City”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 31, 2021. Our report includes a reference to other auditors who audited the financial statements of the Morganton ABC Board, as described in our report on the City’s financial statements. This report does not include the results of other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Morganton ABC Board were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
October 31, 2021

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; in Accordance with  
OMB Uniform Guidance and the State Single Audit Implementation Act**

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the City of Morganton, North Carolina's (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Raleigh, North Carolina  
October 31, 2021

**Independent Auditor's Report on Compliance for Each Major State Program;  
Report on Internal Control over Compliance; in Accordance with  
OMB Uniform Guidance; and the State Single Audit Implementation Act**

The Honorable Mayor and  
Members of City Council  
City of Morganton, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the City of Morganton, North Carolina's (the "City") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2021. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, contracts, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

## Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Raleigh, North Carolina  
October 31, 2021



**I. SUMMARY OF AUDITOR'S RESULTS****Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to the financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):  Yes  No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

**State Awards**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act:  Yes  No

Identification of major state programs:

Powell Bill

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported

**IV. STATE AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported

**CITY OF MORGANTON, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Grantor Pass-Through Grantor Program Title	Federal CFDA Number	State Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
Cash Programs:					
<u>US Department of Housing and Urban Development</u>					
CDBG Entitlement Grants Cluster					
Direct Program:					
CDBG Entitlement Grants Cluster	14.218	B-19-MC-37-0019	\$156,225		
<u>US Department of Housing and Urban Development</u>					
CDBG Entitlement Grants Cluster					
Direct Program:					
CDBG Entitlement Program Cares Act					
CDBG-CV	14.218.119		\$144,914		
<u>CARES ACT RELIEF FUNDS</u>					
Sub recipient to County	21.019		\$469,616		
<u>US Department of Justice</u>					
Direct Program:					
Office of Justice Programs:					
Bureau of Justice Patrick Leay Bulletproof Vest Partnership		16.607	\$4,296		
<u>Passed Thru From New Dimensions School</u>					
NC School Safety Grants Program	1.039		\$33,500		
Total Federal Cash Awards			<u>\$808,551</u>		

## CITY OF MORGANTON, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

	<u>Federal</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
State Awards:			
Cash Programs:			
<u>NC Department of Transportation</u>			
Powell Bill		\$609,560	
<u>NC Parks and Recreation Trust Fund</u>			
Soccer Complex PARTF Grant		<u>\$385,000</u>	
Total State Cash Awards		<u>\$994,560</u>	
Total Federal and State Awards	<u>\$808,551</u>		<u>\$0</u>

#### Note 1 - Basis of Presentation:

The accompanying schedule of Federal and State awards includes the Federal and State grant activity of the City of Morganton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City has elected not to use the 10% de minimus cost rate as covered in CFR 200.414.